# FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY JUNE 14 1994

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## North Korea quits nuclear agency in inspections row

North Korea yesterday announced it was withdrawing from the International Atomic Energy Agency, but stopped short of pulling out of the nuclear non-proliferation treaty.

The North Korean action was taken in response to a decision by the IAEA on Friday to suspend technical aid to Pyongyang as a symbolic penalty for its refusal to allow full international inspections. Page 24

**Bank chief resigns:** Leif Klevan, managing director of state-owned Fokus Bank, Norway's third largest commercial bank, resigned after revelations of alleged irregularities connected to the disposal of a property shareholding. Page 29

**Blow to EU-Russia pact:** Hopes of wrapping up a new political and trade agreement between the European Union and Russia hung in the balance last night after a series of obstacles threatened to delay the proposed pact. Page 2

**Oil spill ruling against Exxon:** A jury in Anchorage, Alaska, paved the way for Exxon to pay punitive damages for the 1989 Exxon Valdez oil spill – the worst in US history – by ruling that the accident was helped along by actions taken by the company and the tanker's captain.

**Claim on Rwanda massacre weapons:** France, South Africa and Egypt may have aided the slaughter of Tutsi civilians in Rwanda by providing weapons and military training to the Rwandan army and its militias, according to secret military documents obtained by a human rights organisation. Page 6

**Plea on Uruguay Round ratification**

The achievement of the Uruguay Round of global trade talks "is still far from complete" and European Union leaders must treat its ratification with urgency, Peter Sutherland (left), director-general of the General Agreement on Trade and Tariffs, told a meeting of the European Union economic and social committee in Dublin. He said Europe had "a responsibility to give leadership on ratification" by the 125 states that signed the Gatt agreements in April. Page 4

**Amstrad,** UK-based consumer electronics group run by Alan Sugar, is paying about £60m ($90m) in cash to acquire Viglen, a private company which builds and sells personal computers directly to its customers. Page 25; Lex, Page 24

**Kidnappers offered safe passage:** The kidnappers of Britons Kim Housego and David Mackie in Kashmir were offered a "safe passage corridor" by the Indian authorities in return for the quick release of their captives. Page 24

**Airline takeover planned:** Malaysian entrepreneur Tajudin Ramli announced a controversial proposal to take over Malaysian Airlines, one of Asia's biggest carriers, through a 32 per cent stake costing M$1.79bn (US$716m). Page 28

**Moulinex,** French household appliances group, suffered a net loss of FFr598m ($104m) in 1993, after losses of FFr41m the previous year. Page 25

**Clinton to launch welfare plan:** President Bill Clinton will today present his plan to "end welfare as we know it", an ambitious blueprint for overhauling the US benefit system in a way intended to encourage and force people to move off the dole and into the workforce. Page 5

**Perkins Group,** UK diesel engine producer which is part of Varity of the US, has signed a long-term partnership agreement which will see its engines produced in China for the first time. Page 4

**Pensions blow to Berlusconi:** Italy's government is studying ways to respond to a constitutional court decision that threatens to add L30,000bn ($20bn) to this year's spending on pensions. Page 24

**Tyson to stay in jail:** An Indianapolis court rejected former heavyweight boxing champion Mike Tyson's plea for his six-year sentence for rape to be reduced to the 26 months he has already served.

**Prize-winning economist dies:** Jan Tinbergen, the distinguished Dutch mathematical economist, socialist and pacifist, has died at the age of 91. He jointly won the first Nobel memorial prize in economics in 1969. Obituary, Page 2

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3,016.3 | (-39.6) |
| Yield | 4.1 | |
| FT-SE Eurotrack 100 | 1,388.52 | (-22.93) |
| FT-SE-A All-Share | 1,519.65 | (-1.0%) |
| Nikkei | 21,552.81 | (+157.63) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,783.75 | (+10.30) |
| S&P Composite | 459.03 | (+0.36) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 4¼% |
| 3-mo Treas Bills: Yld | 4.219% |
| Long Bond | 86¼ |
| Yield | 7.353% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 5⅛% | (same) |
| Liffe long gilt future: | Jun 101 13/32 | (Jun 102 7/32) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (July) | $16.34 | (16.56) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Aug) | $385.6 | (385.8) |
| London | $382.75 | (383.5) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.5215 | |
| London: | | |
| $ | 1.5189 | (1.508) |
| DM | 2.5061 | (2.5142) |
| FFr | 8.548 | (8.5519) |
| SFr | 2.1181 | (2.1231) |
| Y | 156.667 | (156.704) |
| £ Index | 80.4 | (same) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.64615 | |
| FFr | 5.62025 | |
| SFr | 1.38715 | |
| Y | 103.0 | |
| London: | | |
| DM | 1.65 | (1.6672) |
| FFr | 5.6278 | (5.671) |
| SFr | 1.3945 | (1.4079) |
| Y | 103.145 | (103.915) |
| $ Index | 65.1 | (65.4) |

Tokyo close Y 103.67

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 |
| Bulgaria | Lev25.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL50 |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr18 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Pso50 | Syria | S£50.00 |
| France | FFr9.50 | Kuwait | Fls.625 | Poland | Zl 32,000 | Tunisia | Din1.500 |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Es225 | Turkey | L30000 |
| | | | | | | UAE | Dh12.00 |

Concern as fragmented right gains ground ■ Record low turnout

# Euro-parliament power shift raises fear of instability

By David Marsh in London and Lionel Barber in Luxembourg

Governments across Europe expressed concern yesterday about the stability of the European parliament after elections that saw a strong shift to the right on the Continent offset by Labour's sweeping victory in the UK.

In the immediate aftermath of the results, Mr Achille Occhetto resigned as leader of the Democratic party of the Left, the main Italian opposition party, and Mr Edouard Balladur, the French prime minister, signalled a possibly more nationalist stance by his government.

Polling last Thursday and on Sunday was dominated by a mixture of protest voting and apathy in many EU member states. The new 567-member parliament, in which Socialist and allied parties look likely to form the largest grouping with an estimated 213 seats, will have increased powers.

But the record low turnout across Europe – down to 56.5 per cent from 58.5 per cent in the last election in 1989 – may constrain the parliament's ability to play a fuller role as the EU's sole directly elected institution.

In spite of the strong showing by conservatives in Germany, Italy, Spain, Netherlands and Denmark, co-operation among rightwing MEPs in the new parliament is likely to be hampered by bickering over the composition of the European People's party group, traditionally dominated by Christian Democrats.

Fragmentation of the rightwing presence has been increased by the strong showing of Italian prime minister Silvio Berlusconi's Forza Italia movement, which won 30.6 per cent of the votes, up nearly 10 percentage points from the March general elections.

Mr Leo Tindemans, a former Belgian premier and leader of the EPP in Strasbourg, insisted that his grouping did not want to work with Forza Italia because of the latter's coalition alliance with neo-fascists.

Meanwhile, senior German officials expressed concern about the risk of unpredictable factions in the parliament disrupting Bonn's plan to work closely with the newly elected assembly.

They drew attention to the election of maverick French and Italian MEPs from the right, which may leave between 80 and 100 MEPs unattached to formal left or rightwing party groupings at Strasbourg.

Worries surfaced in Bonn about co-operation with the parliament when Germany takes over the six-monthly EU presidency next month, which took some gloss off the surprise victory by Chancellor Helmut Kohl's Christian Democrats on Sunday.

In France, Mr Balladur voiced concern about the diversity of policies and parties represented in Strasbourg. "Fragmentation among too many lists threatens to weaken France at a European level," he said. He added that the poll had shown that voters wanted French interests to be better represented in Europe.

Elsewhere, ministers and officials warned about the twin dangers of voter indifference and the swing to anti-Maastricht parties on Sunday. Mr Niels Helveg Petersen, the Danish foreign minister, said the low turnout was "really disappointing".

It also emerged that Mr Kohl is playing a crucial role in trying to achieve a compromise over the succession to Mr Jacques Delors as president of the European Commission.

Mr Berlusconi is to meet Mr Kohl in Bonn on Thursday in the Italian leader's first high-level European diplomatic meeting since assuming office a month ago.

Italy is being courted by the contenders for the presidency job, including Sir Leon Brittan, chief EU trade negotiator, prime minister Ruud Lubbers of the Netherlands, and Mr Jean-Luc Dehaene, the Belgian premier.

Mr Alain Juppé, French foreign minister, said in Luxembourg that he hoped for an early deal, but that would depend on a "global package" – a reference to trade-offs with other senior posts such as the future head of the World Trade Organisation and the Organisation of Economic Co-operation and Development.

EUROPEAN ELECTIONS

Results, comment and analysis on pages 7-12


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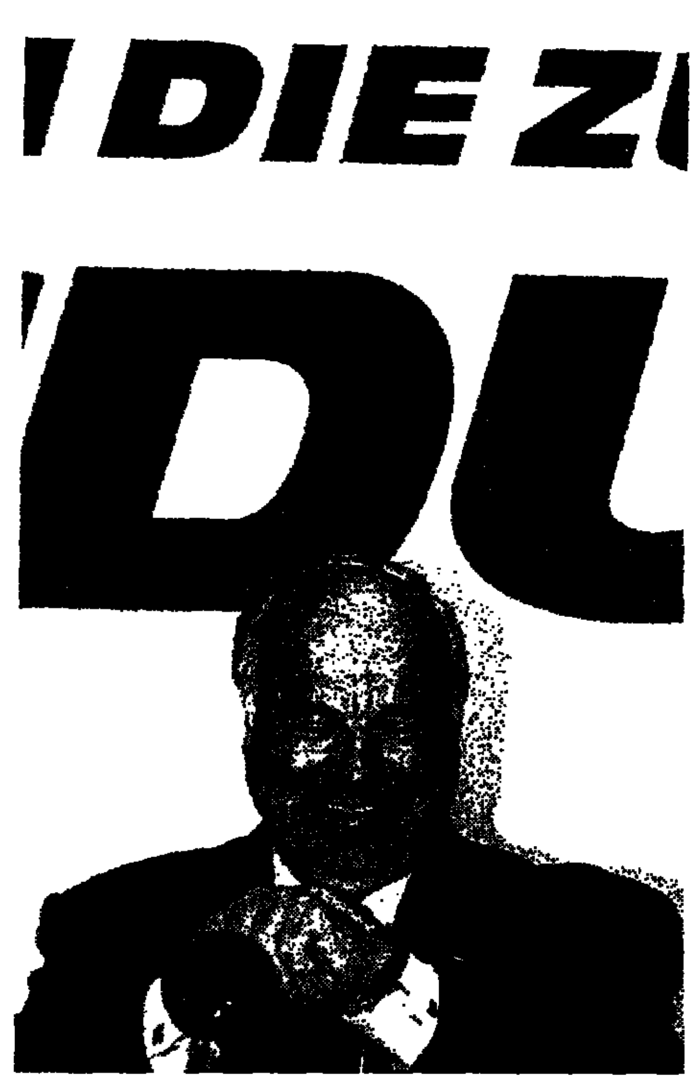


Reuter

The smile of success: Chancellor Helmut Kohl after his Christian Democratic Union's win in Germany's EU election yesterday.

# Major signals plans for reshuffle after poll rout

By Philip Stephens, Political Editor

Mr John Major last night signalled plans for a wide-ranging cabinet reshuffle next month to provide a fresh start for the UK government after its European elections defeat.

As the Labour party celebrated its best performance in a national election since the 1960s, the prime minister said he was determined to fight off any challenge to his leadership. Mr Major underlined a commitment to stick with his present policies despite what he acknowledged had been a "very poor" set of results.

But acknowledging the need for new blood in the senior ranks of the government, he gave a clear hint that a reshuffle before the summer parliamentary recess would be more radical than hitherto imagined.

Insisting that economic recovery was taking the government above the low-point in its fortunes, Mr Major dismissed any threat to his position. He said he did not expect a challenge in the autumn. "I will be here waiting for it if there is one," he added.

His press conference at Downing Street came amid jubilant Labour claims that the victory in the European poll marked a "watershed" in its long march since 1979 back to electoral respectability.

Mrs Margaret Beckett, the interim Labour leader, said sweeping gains in southern England demonstrated Labour had won the "mantle of trust" from the Conservatives.

Despite winning its first ever seats in the Strasbourg parliament, Mr Paddy Ashdown's Liberal Democrats saw their vote fall sharply in response to the Labour surge.

# BIS warns against controls to regulate derivatives

By Philip Coggan in Basle

Market-friendly methods, rather than direct controls, should be used to regulate derivative financial products, the Bank for International Settlements urged at its annual meeting in Basle yesterday.

The BIS, an international organisation that promotes co-operation among central banks, said improved disclosure by individual firms, capital adequacy standards that relate to market risk, and improved settlement systems were the key to controlling the potential risks caused by derivative instruments.

In its survey of world economic conditions, the BIS suggests that the US Federal Reserve may have been too slow to increase interest rates. "It could plausibly be argued that keeping real policy-influenced interest rates negative for too long risked contributing to a build-up of inflation." The Fed has recently moved towards a "neutral" interest rate policy.

The BIS, in its annual report, says – as did the Organisation for Economic Co-operation and Development last week – that the solution to high unemployment is to make the labour market more flexible.

Its emphasis on derivatives follows fears that the complexity and scale of markets in derivatives, such as futures and options, might lead to growing financial instability and so-called systemic risk – the danger that the failure of a market participant might cause a meltdown of the financial system.

Some government officials believe that the use of derivatives may have compounded the decline in world bond markets that followed the increase in US interest rates on February 4. In the US, the General Accounting Office last month issued a report calling for legislation on the use of derivatives.

But Mr Andrew Crockett, the BIS general manager, said: "It would be a mistake to assume that policymaking would be


Continued on Page 24
Recovery will fail to solve unemployment, Page 6


# Renault to build cars in Vietnam

By Kevin Done, Motor Industry Correspondent

Renault, the French state-owned carmaker, has signed a letter of intent to begin car assembly in Vietnam, which is viewed as an increasingly attractive market by international carmakers.

The cars will be produced by Vietnam Motors Corporation from kits supplied by Renault from France. Vietnam Motors is a joint venture between Columbian Motors of the Philippines, which holds a 55 per cent stake; Nichimen Corporation of Japan with a 15 per cent stake; and a Vietnamese state company.

The group plans to produce the Renault 19 small family car, with assembly of Renault's CKD (completely knocked down) kits likely to begin in early 1995.

It already assembles the Mazda 626 and 323 from kits along with some products from Kia, the South Korean carmaker. It also plans to start assembly of the BMW 525 at its plant near Hanoi in September.

Last month, Mitsubishi Motors became the first Japanese carmaker to enter a joint venture in Vietnam. It has received approval from the Vietnamese government to form a joint vehicle manufacturing and sales venture in


Continued on Page 24


# Pay policy frozen out at alternative ice-cream makers

By Martin Dickson in New York

The cold reality that top US executives demand high salary cheques has triumphed over pay policy idealism at Ben & Jerry's Homemade, the small Vermont company which has grown into a leading ice-cream manufacturer thanks to its delicious, offbeat frozen concoctions and socially conscious image.

The company, which created premium ice creams with names like Wavy Gravy, Chunky Monkey and Cherry Garcia, said yesterday it was discontinuing a policy that its highest paid employee could not be paid more than seven times the amount of its lowest paid employee.

But the company is hardly abandoning its alternative image. Launching a search for a chief executive to aid its expansion, it said that applicants must explain in 100 words "Why I would be a Great CEO for Ben & Jerry's."

The contest, according to Mr Ben Cohen, the chairman who is giving up the chief executive post, will uncover candidates who have "both the broad experience and gentleness of spirit necessary to guard and grow the company's unique, community-focused culture."

Ben & Jerry's was founded in 1977 with a single ice-cream parlour, based in a converted petrol station, by Mr Cohen and Mr Jerry Greenfield, its vice-chairman.

From the start they adopted a socially conscious approach to business and a personal style reminiscent of the 1960s hippie movement.

The company donates 7.5 per cent of its pre-tax profits to a foundation which supports non-profit organisations and charities. It also makes a point of buying some of its ice-cream ingredients from socially disadvantaged groups.

The pay ratio limit (originally set at five-to-one but changed to seven-to-one in 1991) was designed to make employees feel they were working as part of a team.

The company said yesterday the ratio had served it well when it was younger, smaller and simpler, but it had now become a barrier to recruiting experienced people.

Ben & Jerry's had net income last year of $7.2m on revenues of $140m but Mr Chuck Lacy, its president and top paid executive, earned only $150,000, less than many senior executives at businesses of this size.



CONTENTS




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NEWS: EUROPE

# Last-minute hitches in EU-Russia pact

By Lionel Barber in Luxembourg

Hopes of wrapping up a new political and trade agreement between the European Union and Russia hung in the balance last night after a series of obstacles threatened to delay the proposed pact.

Greece, holder of the rotating EU presidency, was struggling to win consensus among European foreign ministers to keep alive its plan to host President Boris Yeltsin at next week's European summit in Corfu. At the Luxembourg meeting, ministers were seeking to respond positively to a Franco-German call for the EU to agree swiftly on policy toward cleaning up Ukraine's nuclear industry and meeting part-costs of closing the Chernobyl reactor.

The hitches over the EU-Russia agreement contrast with the speed with which Ukraine concluded its own partnership agreement with the Twelve. President Leonid Kravchuk is expected to sign the agreement in Luxembourg tomorrow.

Diplomats said Greece was keen to crown its presidency with Mr Yeltsin's presence at the summit, but problems remained over Russia's treatment of foreign banks and how the EU handles Moscow's exports of enriched uranium.

Equally sensitive are Mr Yeltsin's demands that he personally signs the EU-Russia agreement. He has refused simply to initial an agreement, even though Brussels has warned the treaty texts may not be ready to be translated into the requisite 10 languages.

On foreign banking, Mr Yeltsin announced a new decree last Friday which seemed to ease fears that western banks would be subject to Russia's strict new capital requirements. But the Dutch, who have two banks in Russia, want to see proof in writing.

The picture on uranium exports improved after France won safeguards for its position as a leading supplier to the rest of the Union. Portugal, with a small uranium industry, has sought similar protection.

Nuclear safety in Ukraine will feature high on the agenda of the Group of Seven industrialised nations in Naples next month. As the outcry over Chernobyl has grown, Ukraine raised its asking price to shut down the station from $2bn to $14bn (£9.3bn).

A Commission official said the EU was seeking to balance its interest in promoting Ukraine's policy toward energy self-sufficiency, which includes building five new nuclear reactors, with the need to shut down Chernobyl.


The return of British Airways yesterday to Orly airport after a 20-year absence was marred by noisy and at times violent protest demonstrations, writes Paul Betts. Some 200 employees of the small French independent carrier Air Liberté tried to stop passengers from checking in on flights operated by BA and its French affiliate TAT, leading to scuffles and three arrests. They failed to stop the four BA and TAT services to Heathrow. AP

OBITUARY

# Jan Tinbergen, a father of econometrics

Jan Tinbergen, the distinguished Dutch mathematical economist, socialist and pacifist, has died aged 91. He won the first Nobel memorial prize in economics in 1969, jointly with the Norwegian Ragnar Frisch, mainly for his seminal work on the application of statistics to economics. His work in this area, for the League of Nations between 1936 and 1938 and published in 1939, marked the birth of modern econometrics.

Tinbergen brought three fundamental attributes to his work in economics and economic policy: his training as a mathematical physicist at Leiden University, his social idealism, and conviction a better world could be created by applying reason to the operations of government. Of his intellectual power, benevolence and moral rectitude there was never the slightest doubt. But his faith in the capacity and benevolence of the state now looks somewhat naive.

Even econometrics, in whose early development Tinbergen played so great a part, was (and, to an extent, still is) controversial. The first of his two volumes for the League of Nations, on fluctuations in investment, was reviewed quite critically by John Maynard Keynes. But Tinbergen had the last laugh. His second volume presented an economy-wide model of business cycles in the US. Such models were the vehicle through which Keynesian economics was subsequently implemented.

Today's economic forecasting industry owes its existence to Tinbergen's pioneering work. He also made substantial contributions to the modelling of economic growth and theories of policy formation, economic development and personal income distribution.

His most important contribution, after that to econometrics, was the demonstration that, in general, the achievement of a given number of policy objectives requires as many independent policy instruments. This conclusion was reached in parallel by the British economist (and Nobel-laureate), James Meade.

Tinbergen was born in The Hague on April 12, 1903, into a remarkable family of scholars. One of his brothers, Nikolaas (Niko), won the Nobel Prize for biology in 1973; another became a professor of zoology.

Tinbergen refused compulsory military service in 1927 and was sent to work for almost a year as a prison administrator and research assistant at the official statistics bureau, the CBS. After gaining his doctorate in physics from Leiden in 1929, he went back to the CBS, where he started research into economic dynamics and statistical modelling of economies. After leaving the League of Nations, he returned to the Netherlands, staying with the CBS until the end of world war two.

Then, he was appointed head of the newly-established Dutch planning and economic advisory body, the CPB. He resigned from the CPB in 1955, to become a full-time professor at the University of Rotterdam (where he had been part-time between 1933 and 1955). In 1973 he moved to the University of Leiden, before retiring in 1975. He served as an adviser to the World Bank, the Organisation for Economic Co-operation and Development and UN bodies.

**Martin Wolf**

# Role of MEPs in Maastricht treaty review undecided

By David Gardner in Luxembourg

European Union foreign ministers were split yesterday on how closely to involve members of the European Parliament in the 1996 constitutional review of the Maastricht treaty, making it likely next week's Corfu summit of the 12 heads of government will have to deal with the issue.

The parliament in May demanded a voice at least equal to that of the European Commission in the 1996 intergovernmental conference as the price of ratifying the accession treaties for Austria, Sweden, Finland and Norway.

The MEPs won pledges from Germany, the Benelux countries, the Commission and the current Greek presidency of the EU, that they would be closely involved in the "committee of experts" due to start work in mid-1995 to prepare the review.

But yesterday, the UK and France stuck to the formula foreign ministers agreed in April at Ioannina, Greece, where they also agreed a compromise on the EU voting rights dispute, over which parliament had threatened to reject enlargement and which will be at the heart of the 1996 review.

Under this formula, MEPs' constitutional experts would be associated with and could contribute to the group, made up of foreign ministers' representatives, but not be an organic part of it.

"A majority of member states would prefer association," claimed French Foreign Minister Alain Juppé, to retain their "freedom of manoeuvre".

Of the near record 468 MEPs present at May's enlargement vote, 150 voted to postpone ratification until parliament received cast-iron guarantees on the constitutional review. When the ratification vote was taken, 60 die-hards abstained, although they backed EU expansion in principle.

But they they were joined afterwards by many other leading MEPs, who warned parliament could use its powers to hold up other EU external treaties in the future unless Strasbourg was fully involved in preparing the EU's constitutional arrangements.

Strength of Austrian vote to join EU takes 'antis' by surprise

# Nordic No camp on defensive

By Hugh Carnegy in Stockholm

The strong anti-European Union campaigns in Finland, Norway and Sweden have been put on the defensive by the decisive vote in Austria on Sunday in favour of EU membership.

"The result took them by surprise," said Mr Arve Thorvik, leader of a group of former prominent anti-EU campaigners in Norway who now support entry.

"A No vote in Austria would definitely have had an impact, strengthening the No campaign here. But the two-thirds majority for the Yes side is a vitamin shot for us. It shows opinion can be turned around."

Although the No side trails in Finland, where a referendum will be held in October, in Sweden and Norway the Yes campaign has a long way to go to overturn EU opponents before both countries vote in November. By then, the Austrian result will be little more than a distant memory.

But since Sunday night, No campaigners have found themselves in the unaccustomed position of having to explain a defeat, rather than pursuing their hitherto vigorous attacks on the EU and the threats they say it poses to national independence and democracy.

Mr Kristen Nygaard, leader of Norway's "No to the EU" organisation, admitted the Austrian result deprived his campaign of a boost. But he insisted: "I don't believe that the referendum in Austria will have any effect on the Norwegian EU debate."

Ms Eva-Britt Svensson, co-leader of the Swedish "No to the EU" campaign, said that in Austria the No side lacked a strong organisation, unlike in Sweden where her organisation acts as a national umbrella for a broad range of political opinion united by hostility to the EU.

She also claimed that extreme right-wing attempts to scare voters in Austria into voting against membership had alienated many people.

"Here in Sweden we will drive the debate in a different way, with factual arguments," she said. "Every country makes its own choice."

In Iceland, meanwhile, Mr Jon Baldvin Hannibalsson, foreign minister and Social Democratic party leader, said Reykjavik might apply for EU membership by the end of the year.

Such a move would likely be determined by whether Finland, Sweden and Norway - with Austria, fellow members of the European Free Trade Association - decided to join. Iceland, also part of the European Economic Area open markets agreement with the EU, has hitherto declined to seek membership because of reluctance to open its fishing grounds to Union fishermen.

# Ex-Communists hail E German poll tally

By Judy Dempsey in Berlin

Leaders of the reformed communist Party of Democratic Socialism believe their big gains in Sunday's local government elections in eastern Germany are more than a mere blip in the party's fortunes.

"We have shown we are a force to be reckoned with at local level in the east," said Mr Lothar Bisky, chairman, after the party pushed ahead of the opposition Social Democrats in urban areas.

In the northern state of Mecklenburg-Vorpommern, the PDS won 25 per cent, 6 percentage points more than in 1990; in Saxony-Anhalt, which will hold its first state elections on June 26, it increased its share by 7.3 percentage points to 20.2 per cent; in Saxony, the party's tally went up 5 points to 16.7 per cent; and in the southern state of Thuringia, it gained 4.5 percentage points to 15 per cent.

Three factors account for the party's electoral success. First, it inherited the local grassroots organisation of the former East German Communist party which, before unification, had 2.3m members. With 131,000 of them in the PDS today, including 10 per cent who never belonged to the old apparatus, it has remained active at the local level. "That is our great strength," said Mr Bisky. "The established west German parties never developed a proper grassroots network in eastern Germany."

Second, for easterners, the PDS is seen as a viable social democratic party, as Mr Rudolf Scharping, head of the Social Democrats, has failed to convince them that he has policies which are ideologically distinguishable from Chancellor Helmut Kohl's governing Christian Democrats.

"The PDS will simply drain votes away from us," said Ms Dagmar Szabados, SDP deputy mayor of Halle, who was running third behind the PDS, while the CDU mayor, Mr Klaus Rauen, was set for re-election.

Third, the PDS is seen as *unsere*, or "our" party, as PDS voters repeatedly explained on Sunday. "We are not commies. We are not hardliners. We are east German democratic socialists, despite what the *wessi* [west German] politicians say," said Mr Bisky.

These factors make life difficult for the SPD. Although it increased its share of the vote in the east, it will only be able to dislodge four of the five CDU-dominated state governments with the help of a coalition with the Greens and the PDS.

"We cannot join with the PDS. It would be unacceptable," said Ms Szabados. "The only solution is that Scharping gets his act together."

The SPD has less than two weeks to turn the tables in Saxony-Anhalt, and four months in the other states. The recent confidence boost for the PDS will make their struggle even harder.


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## INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

**UNITED STATES**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 101.9 | 98.6 | 102.2 | 99.4 | 85.0 |
| 1987 | 105.6 | 100.7 | 103.8 | 98.7 | 76.2 |
| 1988 | 109.9 | 103.2 | 106.9 | 99.1 | 71.0 |
| 1989 | 115.2 | 108.5 | 110.0 | 101.1 | 74.9 |
| 1990 | 121.5 | 113.9 | 113.8 | 104.3 | 73.4 |
| 1991 | 126.6 | 116.3 | 117.3 | 107.8 | 74.2 |
| 1992 | 130.4 | 117.7 | 120.2 | 108.1 | 74.2 |
| 1993 | 134.3 | 119.2 | 123.4 | 105.5 | 76.6 |
| 2nd qtr.1993 | 3.2 | 2.0 | 2.5 | −2.2 | 75.7 |
| 3rd qtr.1993 | 2.8 | 0.7 | 2.5 | −2.6 | 76.2 |
| 4th qtr.1993 | 2.7 | 0.3 | 3.0 | −3.0 | 78.7 |
| 1st qtr.1994 | 2.5 | 0.2 | 3.0 | −1.8 | 77.0 |
| June 1993 | 3.0 | 1.3 | 2.5 | −2.7 | 75.9 |
| July | 2.8 | 1.3 | 2.5 | −2.5 | 77.3 |
| August | 2.8 | 0.5 | 2.5 | −2.6 | 75.9 |
| September | 2.7 | 0.4 | 2.5 | −2.7 | 75.4 |
| October | 2.8 | 0.2 | 2.5 | −2.9 | 75.9 |
| November | 2.7 | 0.4 | 3.3 | −2.2 | 77.0 |
| December | 2.8 | 0.2 | 3.3 | −3.8 | 77.3 |
| January 1994 | 2.5 | 0.2 | 2.5 | −1.9 | 77.8 |
| February | 2.5 | 0.2 | 3.3 | −1.4 | 77.0 |
| March | 2.5 | 0.2 | 3.3 | −2.0 | 76.4 |
| April | 2.4 | −0.4 | | −2.3 | 76.5 |
| May | | −0.4 | | | 75.9 |

**JAPAN**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 100.6 | 95.3 | 101.4 | 103.4 | 118.4 |
| 1987 | 101.2 | 92.5 | 103.1 | 100.6 | 122.9 |
| 1988 | 102.2 | 92.3 | 107.8 | 98.2 | 131.0 |
| 1989 | 104.9 | 94.2 | 114.0 | 96.1 | 123.5 |
| 1990 | 108.2 | 95.7 | 120.1 | 98.3 | 108.3 |
| 1991 | 111.8 | 96.8 | 124.2 | 101.8 | 114.7 |
| 1992 | 113.9 | 95.8 | 125.6 | 111.0 | 116.3 |
| 1993 | 115.3 | 94.3 | 125.8 | 116.6 | 134.0 |
| 2nd qtr.1993 | 1.0 | −1.4 | 0.7 | 5.3 | 133.2 |
| 3rd qtr.1993 | 1.8 | −1.8 | 0.4 | 4.4 | 140.7 |
| 4th qtr.1993 | 1.2 | −2.1 | −0.1 | 5.1 | 137.6 |
| 1st qtr.1994 | 1.4 | −2.2 | | | 137.8 |
| June 1993 | 1.0 | −1.5 | −0.9 | 5.4 | 136.9 |
| July | 1.6 | −1.7 | −1.2 | 5.4 | 136.7 |
| August | 2.0 | −1.8 | 2.3 | 2.6 | 144.0 |
| September | 1.3 | −2.0 | 1.5 | 5.4 | 139.3 |
| October | 1.2 | −2.1 | 0.6 | 7.8 | 138.5 |
| November | 0.9 | −2.1 | 1.7 | 3.4 | 138.7 |
| December | 1.3 | −2.2 | −1.1 | 4.2 | 135.9 |
| January 1994 | 1.4 | −2.1 | 4.5 | 4.2 | 134.5 |
| February | 1.4 | −2.2 | 1.9 | 5.1 | 139.4 |
| March | 1.3 | −2.3 | | | 139.5 |
| April | 0.8 | | | | 141.5 |
| May | 0.6 | | | | 139.3 |

**GERMANY**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 99.9 | 97.5 | 103.8 | 103.8 | 107.4 |
| 1987 | 100.1 | 95.0 | 109.0 | 107.1 | 110.9 |
| 1988 | 101.4 | 96.2 | 113.0 | 106.9 | 110.0 |
| 1989 | 104.2 | 99.3 | 117.3 | 108.0 | 107.8 |
| 1990 | 107.0 | 101.0 | 123.8 | 110.3 | 110.7 |
| 1991 | 110.7 | 103.4 | 131.8 | 115.0 | 108.1 |
| 1992 | 115.1 | 104.9 | 138.6 | 121.5 | 108.8 |
| 1993 | 119.8 | 104.8 | | 125.9 | 110.2 |
| 2nd qtr.1993 | 4.2 | −0.2 | n.a. | 5.4 | 109.6 |
| 3rd qtr.1993 | 4.2 | −0.2 | n.a. | 1.8 | 109.8 |
| 4th qtr.1993 | 3.7 | −0.2 | n.a. | −1.7 | 109.9 |
| 1st qtr.1994 | 3.3 | 0.2 | n.a. | | 107.1 |
| June 1993 | 4.2 | −0.4 | | 3.3 | 108.6 |
| July | 4.3 | −0.2 | | 3.2 | 108.2 |
| August | 4.2 | −0.2 | | 0.0 | 109.6 |
| September | 4.0 | −0.3 | | 1.8 | 111.2 |
| October | 3.9 | −0.2 | | 0.2 | 111.1 |
| November | 3.6 | −0.2 | | −2.3 | 109.8 |
| December | 3.7 | −0.1 | | −2.9 | 109.0 |
| January 1994 | 3.5 | 0.0 | | −0.5 | 107.2 |
| February | 3.4 | 0.2 | | −5.0 | 106.6 |
| March | 3.2 | 0.3 | | | 107.4 |
| April | 3.1 | 0.1 | | | 108.8 |
| May | 2.9 | | | | 107.4 |

**FRANCE**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 102.5 | 97.2 | 104.5 | 101.5 | 103.4 |
| 1987 | 105.9 | 97.8 | 107.8 | 103.0 | 104.8 |
| 1988 | 108.8 | 102.8 | 111.1 | 104.0 | 102.2 |
| 1989 | 112.6 | 108.4 | 115.4 | 105.3 | 99.8 |
| 1990 | 116.5 | 107.1 | 120.6 | 109.5 | 103.6 |
| 1991 | 120.2 | 105.8 | 125.8 | 113.6 | 102.2 |
| 1992 | 123.1 | 104.0 | 130.3 | 115.8 | 105.8 |
| 1993 | 125.6 | 101.1 | 133.7 | | 108.5 |
| 2nd qtr.1993 | 2.0 | −3.3 | n.a. | 2.6 | 109.7 |
| 3rd qtr.1993 | 2.2 | −3.4 | n.a. | | 108.5 |
| 4th qtr.1993 | 2.1 | −2.2 | n.a. | | 107.7 |
| 1st qtr.1994 | 1.7 | −1.5 | n.a. | | 107.5 |
| June 1993 | 1.9 | n.a. | 2.6 | n.a. | 109.0 |
| July | 2.1 | n.a. | – | n.a. | 108.7 |
| August | 2.2 | n.a. | – | n.a. | 105.4 |
| September | 2.3 | n.a. | 2.3 | n.a. | 107.5 |
| October | 2.2 | n.a. | – | n.a. | 107.4 |
| November | 2.2 | n.a. | – | n.a. | 107.0 |
| December | 2.1 | n.a. | 2.2 | n.a. | 108.5 |
| January 1994 | 1.9 | n.a. | – | n.a. | 107.5 |
| February | 1.8 | n.a. | – | n.a. | 106.9 |
| March | 1.5 | n.a. | 2.0 | n.a. | 107.9 |
| April | 1.7 | n.a. | – | n.a. | 106.6 |
| May | 1.8 | n.a. | – | n.a. | 107.4 |

**ITALY**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 106.1 | 100.2 | 104.8 | 102.7 | 101.3 |
| 1987 | 111.0 | 103.2 | 111.8 | 105.6 | 102.0 |
| 1988 | 116.5 | 106.6 | 118.4 | 109.7 | 100.2 |
| 1989 | 124.2 | 113.1 | 125.6 | 112.3 | 103.6 |
| 1990 | 131.8 | 117.8 | 134.7 | 118.8 | 106.2 |
| 1991 | 140.3 | 121.7 | 147.9 | 131.3 | 105.5 |
| 1992 | 147.7 | 124.0 | 155.9 | 136.8 | 101.9 |
| 1993 | 153.9 | 128.7 | 161.2 | 139.4 | 87.3 |
| 2nd qtr.1993 | 4.1 | 3.9 | 3.1 | 2.6 | 88.4 |
| 3rd qtr.1993 | 4.3 | 4.3 | 4.1 | 2.1 | 87.9 |
| 4th qtr.1993 | 4.1 | 3.9 | 3.8 | −1.4 | 85.7 |
| 1st qtr.1994 | 4.2 | | | | 85.1 |
| June 1993 | 4.2 | 4.1 | 4.1 | n.a. | 90.1 |
| July | 4.4 | 4.2 | 4.1 | n.a. | 88.7 |
| August | 4.4 | 4.4 | 4.1 | n.a. | 87.9 |
| September | 4.2 | 4.3 | 4.2 | n.a. | 87.0 |
| October | 4.3 | 4.1 | 3.9 | n.a. | 86.6 |
| November | 4.2 | 3.9 | 3.9 | n.a. | 85.6 |
| December | 4.0 | 3.7 | 3.6 | n.a. | 84.7 |
| January 1994 | 4.2 | 3.5 | 4.0 | n.a. | 85.1 |
| February | 4.2 | 3.8 | 4.3 | n.a. | 85.5 |
| March | 4.2 | | | n.a. | 84.8 |
| April | 4.1 | | | n.a. | 87.5 |
| May | 4.0 | | | n.a. | 87.8 |

**UNITED KINGDOM**

| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 103.4 | 101.4 | 107.7 | 104.1 | 94.2 |
| 1987 | 107.7 | 104.9 | 116.3 | 106.6 | 94.6 |
| 1988 | 113.0 | 108.7 | 126.2 | 109.5 | 102.3 |
| 1989 | 121.8 | 113.9 | 137.2 | 114.4 | 101.3 |
| 1990 | 133.3 | 121.0 | 150.1 | 122.7 | 102.8 |
| 1991 | 141.2 | 127.5 | 162.4 | 131.3 | 106.5 |
| 1992 | 146.4 | 131.5 | 173.1 | 134.0 | 103.5 |
| 1993 | 148.7 | 136.7 | 180.9 | 134.3 | 95.7 |
| 2nd qtr.1993 | 1.3 | 4.0 | 5.0 | −0.5 | 95.3 |
| 3rd qtr.1993 | 1.6 | 4.3 | 4.4 | 1.1 | 97.1 |
| 4th qtr.1993 | 1.6 | 3.9 | 3.9 | 1.7 | 97.1 |
| 1st qtr.1994 | 2.4 | 3.3 | 4.8 | 2.0 | 98.5 |
| June 1993 | 1.2 | 4.0 | 4.9 | 1.2 | 95.1 |
| July | 1.4 | 4.2 | 5.0 | 0.7 | 97.4 |
| August | 1.7 | 4.3 | 3.6 | 0.8 | 97.2 |
| September | 1.8 | 4.3 | 4.5 | 1.7 | 96.6 |
| October | 1.4 | 4.0 | 3.8 | 2.0 | 96.2 |
| November | 1.4 | 3.6 | 4.0 | 1.9 | 97.1 |
| December | 1.9 | 4.0 | 4.0 | 1.2 | 97.9 |
| January 1994 | 2.5 | 3.7 | 4.8 | 1.7 | 96.8 |
| February | 2.4 | 3.4 | 4.4 | 1.9 | 98.2 |
| March | 2.3 | 2.8 | 5.2 | 2.5 | 97.4 |
| April | 2.6 | 2.2 | | | 97.0 |
| May | | 2.0 | | | 98.8 |

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 15 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

EUROPEAN NEWS DIGEST

# Payment due on Schneider

Creditors of the Jürgen Schneider property group can expect their first payment since the group went bankrupt in April, the Frankfurt state prosecutors' office said yesterday. The German officials said that on a visit to Geneva last week they had found documentary proof that DM245m (£98m) of the property group's funds had been moved by Mr Jürgen Schneider and his wife Claudia. They said the money had been transferred in late March to Switzerland via London and the Bahamas shortly before the couple's disappearance triggered Germany's biggest property crash in decades. Of the DM245m, all but DM15m was likely to be made available to meet creditors' claims, the Frankfurt officials said yesterday. The DM230m has been frozen by the Geneva prosecutors' office for some weeks pending an inquiry into possible money-laundering offences. The DM15m was transferred out of the Geneva accounts in late March and has not yet been traced.

It is thought likely that Mr Schneider managed to transfer other cash, perhaps as much as DM750m in total, from Germany in March before he went on the holiday to Tuscany from which he never returned. A warrant has been issued for his arrest on fraud charges but his whereabouts are still unknown, although the mass circulation Bild newspaper suggested yesterday that he is living in a villa in the Iranian city of Isfahan. The newspaper claimed that Mr Schneider bought a DM14m villa there last year in association with Mr Mehdi Djawadi, an Iranian friend and business associate arrested earlier this month on suspicion of helping him transfer funds abroad ahead of his flight. *David Waller, Frankfurt*

## Dutch rail dispute deadlock

A train strike in the Netherlands threatens to go into a second day today after management and unions failed to resolve their conflict about the proposed loss of 470 jobs. The management of state-owned Dutch Rail, which wants to eliminate jobs among drivers and conductors as part of a wider reorganisation plan, has refused to meet the unions again while the stoppages continue. The Dutch rail system ground to a virtual halt yesterday with the exception of a few local train services in the east and south of the country. International train services into Belgium and Germany were also cancelled. Yesterday's 24-hour strike followed stoppages during the morning rush hour last Wednesday. *Ronald van de Krol, Amsterdam.*

## Move to impeach Iliescu

Romania's main opposition party yesterday started unprecedented moves to impeach President Ion Iliescu for violating the country's constitution. The National Peasants Party said it had begun to collect signatures needed for a motion in parliament to impeach the president on the grounds that he tried to pervert the course of justice and to undermine the independence of the judiciary. The party is basing its case on statements Mr Iliescu made last month in which he urged local courts not to return property nationalised under the Communist regime to former owners. Parliament, which is dominated by Mr Iliescu's supporters, is not expected to approve the motion, the first of its kind in post-Communist Romania. The move coincides with anti-government demonstrations planned today by leading trade unions calling for higher pay and faster reform. *Virginia Marsh, Bucharest*

## Russian troops for Abkhazia

Georgia's leader, Mr Eduard Shevardnadze, yesterday said the deployment of Russian peacekeeping forces in the breakaway region of Abkhazia in western Georgia would begin on Wednesday and Thursday. President Boris Yeltsin signed a decree last Thursday ordering deployment of the forces, but it has yet to be approved by the Federation Council, the upper house of the Russian parliament, which could take up the issue today. *Associated Press, Tbilisi*

## Brcko attack condemned

The UN yesterday condemned Sunday's rocket attack on a Serb-held town of Brcko in northern Bosnia where several civilians were wounded. In a separate incident at the weekend, British troops came under mortar and small-arms fire in central Bosnia. However, UN officials said the country-wide truce agreed last week appeared to be holding. Commander Eric Chaperon, the UN Protection Force spokesman in Sarajevo, said fighting continued to decrease substantially over the weekend, "indicating continuing compliance with at least a spirit of the cessation of hostilities agreements". The UN's special envoy to the former Yugoslavia, Yasushi Akashi, described the firing of rockets at Serb-held Brcko as "reprehensible". A statement released from UN headquarters in Zagreb said the rockets were fired from the nearby Orasje pocket, where Bosnian, Croat and Moslem units are deployed. The Bosnian Serb commander, General Ratko Mldic, warned of retaliation if the attacks continued. *Paul Adams, Belgrade*

## Energy treaty talks succeed

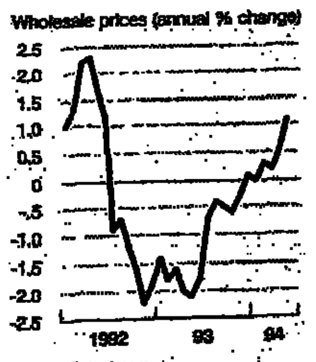
Negotiations on a treaty to open up the former Soviet energy sector to western business have proved successful, EU officials said yesterday.The main aim is to provide better investment protection. The treaty gives legal force to the political declaration signed by heads of government three years ago. The agreement follows several months of argument over how far CIS countries would be prepared to guarantee equal treatment for western and national companies wanting to invest in their energy sector. The text of the treaty will next be submitted to governments for approval, with a view to signing it in September or October. *Emma Tucker, Brussels*

ECONOMIC WATCH

## Wholesale prices edge upward

**Germany**

Wholesale prices (annual % change)




Source: Datastream

Western German wholesale prices climbed 0.5 per cent in May from April and rose 1.1 per cent from April 1993, the federal statistics office said yesterday. Most economists had expected a month-on-month rise of only 0.2 per cent and a year-on-year increase of 0.7 per cent. The May figures also represent an acceleration from the previous two months. In April, the index for wholesale prices rose 0.2 per cent in the month and 0.5 per cent in the year; in March, the index climbed only 0.1 per cent in the month and 0.2 per cent in the year. Analysts attributed the increase to rising commodity and oil prices that were not offset by the weaker dollar in the month. Some of the biggest month-on-month price gains came directly from commodities: a 23 per cent jump in coffee prices, 5.5 per cent in fruit prices, 4.4 per cent in pigs for slaughter, and 3 per cent in grains. *Associated Press, Wiesbaden*

■ Switzerland's industrial production in the first quarter rose 7 per cent from the same period in 1993, the government statistics office announced yesterday. Incoming orders rose 10 per cent in the same period, with business from abroad up 13 per cent and orders from domestic customers up 6 per cent.

■ The official Swedish unemployment rate decreased to 7.1 per cent in May from 7.4 per cent in April and was down from 7.5 per cent in May 1993, according to official figures.

■ Norway's trade surplus in May fell to NKr4.88bn (£448m) compared with NKr6.78bn (£622m) the same month a year earlier, according to the country's statistical agency.

■ Austrian building output rose nearly a fifth in the first quarter, increasing 19.6 per cent to Sh21bn (£1.9bn) the central statistics office said.

# Grande idée – shame about the building

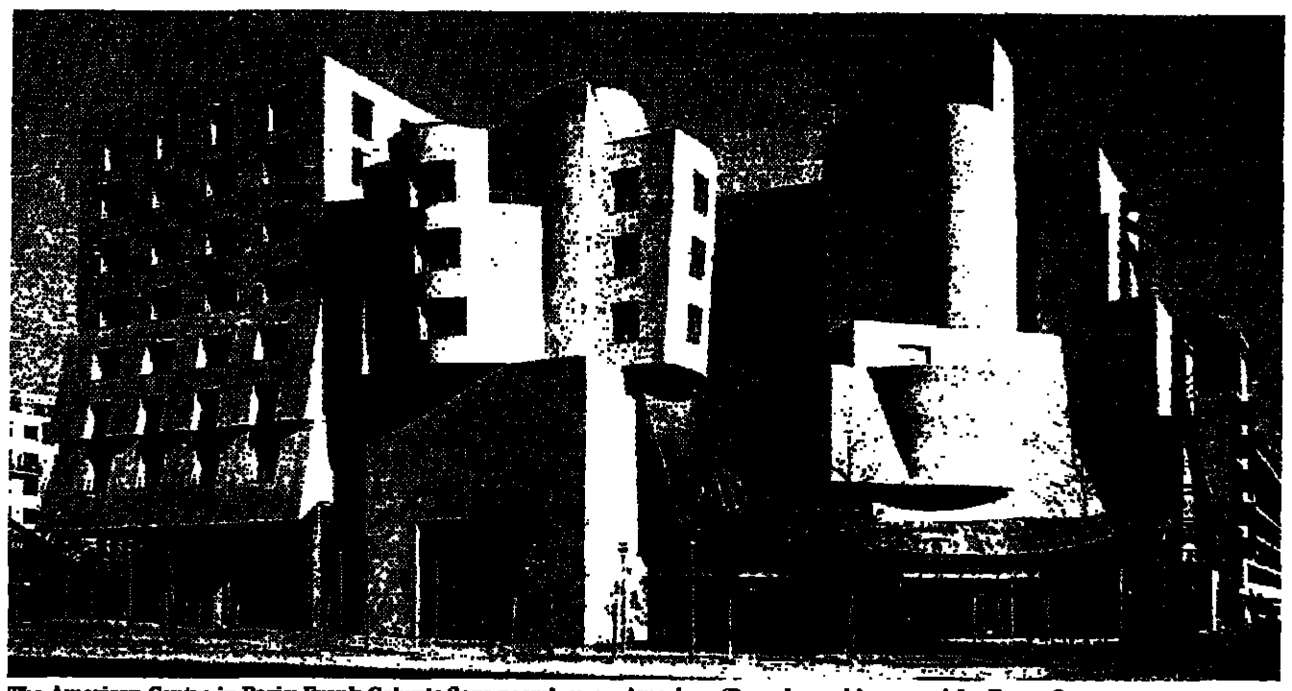
By Alice Rawsthorn in Paris

EUROPEAN DIARY

First there was the French assault on "US cultural imperialism" during last year's world trade negotiations; then came rumours of a Hollywood boycott of the Cannes Film Festival; now the French are back on the offensive in a row over the American Centre, the latest incarnation of the cultural institute that has since the 1930s been a mecca for intellectually-inclined Americans in Paris.

Even the most chauvinistic members of the French intelligentsia have failed to find fault with the aims of the new centre, which opened last week as a vast cultural complex including a theatre, language school, art gallery and artists' studios. It is, after all, an icon of francophilia and, as such, conforms completely to the Gallic definition of an intelligent arts institution.

Instead the arts establishment has vented its wrath on the new building, which was designed by Frank Gehry, the Los Angeles-based architect. The New York Times hailed his design as a "love poem". Le Figaro, the conservative French daily, disagreed. "We expected a great deal from the first major French project of this great expressionist. And we've been sadly disappointed," grumbled Francis Rambert, its architecture critic.



The American Centre in Paris: Frank Gehry's 'love poem', or an American 'B-grade work' reserved for France?

The crux of the criticism is that Gehry, who has achieved international acclaim for his "urban jungle" buildings in Los Angeles, reflecting the chaos of the city through fragmented forms and clashing colours, has fobbed off the French with a watered-down version of his Californian work.

"Jeez, what do they want from me?" groaned the architect, who paid a flying visit to Paris for the opening. "I know what it is – a jumble of everything I've already done in LA. But I did all that stuff in the context of Los Angeles. This is Paris. I did *not* want to rebuild LA here. That would have been terrible!"

The American Centre is an understated building, at least by the standards of Gehry, who once designed a Venice Beach office block as a giant pair of binoculars. The main façade is an explosion of different shapes which, he said, were inspired by "those wonderful jumbled roofs you see when you really look at Paris", although he has softened the cacophonic effect by using classic French sandstone as his main material. The soft curves and seductive skylights of the interior are Gehry's homage to Ronchamp, the Le Corbusier chapel in eastern France, which is one of his favourite buildings.

Even this tribute to France's architectural heritage (the French prefer to forget that Le Corbusier was born in Switzerland) has failed to placate the critics. "We might ask why so many great contemporary architects seem to save their B-grade work for France?" sniped Le Figaro.

France has historically prided itself on its cosmopolitan attitude to the arts: not least on its appreciation of the finer aspects of US culture, from the jazz of Miles Davis and Charlie Parker, to the experimental drama for which the American Centre was famous in the 1960s.

Yet this cosmopolitanism was founded on an unquestioned confidence in the strength of France's own cultural credentials. That confidence has been dented by the economic and social turmoil of recent years. Jacques Toubon, the centre-right arts minister, has responded with a string of protectionist policies – from his anti-American stance at the General Agreement on Tariffs and Trade negotiations, to his clampdown on *Franglais*. Gehry is the latest victim of France's cultural insecurity.

He has had plenty of practice in the firing line. His uncompromising style has few fans in the US public sector. "They don't even think I'm fit to build a dog kennel," he says.

# Diesel engine maker forms China link

By Andrew Baxter

Perkins Group, the UK-based diesel engine producer, yesterday announced a long-term partnership agreement which will see its engines produced in China for the first time.

The UK company, part of Varity of the US, has signed a technology transfer contract under which two of its engine families will enter volume production at Tianjin Engine Works in eastern China.

Perkins sees the agreement as a big breakthrough in China, the world's fastest-growing diesel engine market. The 10-year agreement with Tianjin, one of China's leading diesel engine manufacturers, is expected to lead to a joint venture deal.

Mr Tony Gilroy, chief executive of Perkins, said the agreement was "a very important step in developing our presence in China and is part of our increasing focus on south and east Asia".

A "vast potential" existed for Perkins engines throughout China, and the company was committed to becoming the leading independent manufacturer of diesel engines in China in partnership with Tianjin, he added.

The contract covers Perkins' Phaser automotive engines and its 1000 Series industrial range. The first units will be assembled and tested in Tianjin early next year and annual production could reach 120,000 engines by 2000.

Mr Miao Jianxin, a director of Tianjin, said the agreement with Perkins provided China with a framework to develop its diesel engine industry at a vital stage in its economic progress. "It will offer customers a new range of high-technology products, and boost the local economy."

The agreement with Tianjin Engine brings to 12 the number of countries where Perkins diesel engines are built. Perkins already has close links with India and Indonesia. Tianjin Engine employs 7,000 people in Tianjin, China's third largest city.

# New hope for clothes makers

## Canute James on the Caribbean welcome for US tariff plans

Caribbean garment producers have greeted with relief proposals by the US government to remove tariffs and quotas on their exports to the US, allowing them to compete freely with Mexican products.

The announcement of the US plans by Mr Al Gore, the vice-president, follow a period of significant growth for the Caribbean industry, with the region now the largest single source of US clothing imports.

The administration's proposals will be discussed by US legislators, and follow several months of appeals by Caribbean governments for measures to protect their US markets, not only for apparel, from Mexican competition. Most Caribbean Basin governments fear that the implementation of the North American Free Trade Agreement (Nafta), would enable Mexico to capture valuable markets which the less efficient Caribbean producers had developed in the US and Canada.

In announcing the plans for Caribbean Basin clothing imports, Mr Gore said the administration would ask Congress to approve the removal of all tariffs and quotas on textile and clothing imports from the 24 countries which are beneficiaries of the Caribbean Basin Initiative. This trade programme, implemented 10 years ago by the US government, allows designated countries to ship some products duty free to the US. However, garments and textiles were excluded from this after pressure from the US industry which feared a flood of cheap imports.

"I am convinced that this initiative will accelerate economic co-operation and growth in the Caribbean region as well as in the United States," Mr Gore said.

### I am convinced this initiative will accelerate economic co-operation – Al Gore

Caribbean producers whose exports are valued at \$4bn (£2.6bn) per year, and whose industries provide 400,000 jobs in a labour surplus region, have welcomed the US government's proposals. "This is a very positive development," said Mr Peter King, chairman of the Central American and Caribbean Textile and Apparel Council, a regional lobby group for the industry.

Most of the region's apparel exports to the US are produced under the 807 offshore assembly programme. This allows garments to be assembled in the region from fabric made and cut in the US, and re-exported to the US with duty paid on the value added in assembly.

The fears of losing US markets to Mexico led Caribbean Basin governments, with the support of some US legislators, to ask the Nafta partners for "parity" with Mexico in accessing the US and Canadian markets. Regional trade officials say the US administration's proposals for the garment industry are a welcome indicator that other sectors of Caribbean industry may be treated similarly.

Mr Paul Robertson, Jamaica's foreign trade minister, said: "While this proposal on the garment industry does not constitute the Nafta parity for Caribbean Basin countries which the region had asked for, it represents an enhancement by expanding access to the US market for textile and apparel.

"This is a step in the right direction and we hope that the proposed programme is open-ended and represents a transition to full participation in Nafta."

The growing importance of the clothing sector to the Caribbean has been underscored by recent figures from the Textile and Apparel Council. In the year to March the Caribbean Basin countries overtook major producers such as China and Taiwan to become the leading source of US imports.

Caribbean Basin exports to the US in the year were valued at \$4.1bn, representing 14.1 per cent of all US imports, the council said. Hong Kong's share was 13.4 per cent, China's 12.1 per cent, and Taiwan's 7.6 per cent. The leading Caribbean Basin exporter to the US in the year to March was the Dominican Republic, with exports valued at \$1.4bn.

There is, however, one dark cloud on the horizon, said Mr King. Significant quantities of garments, mainly from Asia, are labelled as being of Caribbean origin, and are either being shipped through the region or sent directly to the US. "This illegal trade can do more damage to the Caribbean Basin industry than can any high tariff wall," said Mr King.

# BAe to discuss rocket system with Pinochet

By Jimmy Burns

General Pinochet: considerable Chilean interest

British Aerospace said yesterday it planned to have talks this week in the UK with General Augusto Pinochet, Chilean armed forces chief and former president, on the development of an artillery rocket weapons system.

A spokesman for Bae said last night: "We are aware that General Pinochet is in the UK, and it is assumed that he will be in conversations with us. There is considerable Chilean interest in this system which is potentially worth millions of pounds to us."

The potential research and development contract involves a "flexible" rocket system which can be produced for use either by wheeled or tracked vehicles.

The system would be jointly developed with the Chilean defence industry by the rockets division of BAe's subsidiary, Royal Ordnance. It is understood the Chilean army is interested in producing the system locally.

Britain has good diplomatic relations with Chile, and has largely ignored protests over General Pinochet's human rights record following the strong support offered by the Chilean armed forces to the UK during the Falklands War.

While stressing that there were no official or ministerial contacts involved, the foreign office said last night: "We have good relations with the Chileans and we see no reason why there there should be any problem in General Pinochet visiting this country."

However, Amnesty International confirmed it was asking Sir Nicholas Lyell, Britain's attorney-general, to prosecute General Pinochet under the Criminal Justice Act which obliges the UK to pursue alleged torturers.

The office of the Attorney General said last night it would "look carefully" at any evidence from Amnesty International that linked General Pinochet to cases of torture allegedly carried out by the Chilean secret service.

Amnesty lawyers looked set to pursue their action after hearing that General Pinochet had arrived secretly in London over the weekend. On Sunday, surrounded by bodyguards, he attended a church service commemorating D-Day at the Jesuit church of Farm Street in London.

The Chilean Embassy confirmed General Pinochet was in London on a "private visit", but with the approval of the Chilean government.

# Uruguay Round talks 'still far from complete'

By Tim Coone in Dublin

The achievement of the Uruguay Round of global trade talks "is still far from complete" and European Union leaders must treat its ratification with urgency, Mr Peter Sutherland, director-general of the General Agreement on Trade and Tariffs, said in Dublin yesterday.

Addressing a meeting of the EU economic and social committee, he said Europe had "a responsibility to give leadership on ratification" by the 125 states that signed the Gatt agreements in Marrakesh in April.

This had to be given as much priority "and political energy and commitment" as the conclusion of the negotiations themselves.

The World Trade Organisation (WTO) which will replace Gatt, is due to be established by January 1, 1995 under the auspices of the Uruguay Round agreement, and will have stronger powers and procedures than Gatt to enforce the liberalised trade arrangements which now extend to agriculture, services, textiles and intellectual property rights.

Implementation of the Uruguay Round agreements "will reward those who have embraced competition as an ally with improved opportunities to compete in the fastest-growing markets in the world – the upper-income developing countries".

He said a larger share of EU exports to third countries went to developing countries "than to North America and Japan put together", and that these had the fastest-growing economies "and the greatest reserves of unfulfilled demand".

The Uruguay Round would not only make these markets more accessible, but greater access to EU markets for developing countries' products would in turn further drive a growth in demand for EU goods and services.

He stressed that exporters would be better able to protect their brand name and image under the new rules on intellectual property rights. Better protection would enable them to develop new markets "with more confidence that they are not just offering counterfeiters and pirates a free ride".

# Forge Europe ties, US urged

By Nancy Dunne in Washington

US preoccupation with export expansion in Asia-Pacific should not detract from efforts to make new ties with Europe, which shares most strongly US views of the future of the world economy, a new report says.

"If the US is to influence significantly the rapidly emerging new global economy, it will need allies," say Mr Clyde Prestowitz, a former US trade negotiator, and Mr Robin Gaster, a prominent trade consultant, in "Shrinking the Atlantic: Europe and the American Economy.

While Asia has become the biggest US gross export market, the content of the trade is still a concern. Unlike trade with Europe, the US tends to exchange raw materials for high technology goods from Asia.

"Despite transatlantic trade rows in telecommunications, aircraft and computers, Europe remains a prime export market in each industry; the US trade balance with Europe is strongly positive in each," the report said.

After Britain, Japan is the second largest investor in the US, but its investment is slowing "drastically" while European investment is expected to increase.

Many more European companies manufacture in the US than do Japanese. European companies paid \$7bn in corporate income taxes in 1990; Asian companies paid only \$100m.

European companies invest about \$7bn in research and development in the US, compared to \$500m for Asian companies.

The report calls on North America and Europe to open exploratory talks about broadening and deepening their relationship, resolving their differences on such issues as labour policy, competition policy and regulation.

*"Shrinking the Atlantic: Europe and the American Economy." Economic Strategy Institute, 1100 Connecticut Ave. N.W., Suite 1300, Washington. D.C. 20036. North Atlantic Research Inc., 1701 21st St. N.W. #100, Washington, D.C. 20009.*

# Clinton to launch welfare reform plan

By George Graham in Washington

President Bill Clinton will today present his plan to "end welfare as we know it," an ambitious blueprint for overhauling the US benefit system in a way intended to encourage and force people to move off the dole and back into the workforce.

The plan, which has been under consideration since Mr Clinton took office a year and a half ago, is built around a two year limit on payments under aid to families with dependent children, the main US welfare programme, which currently supports around 5m families.

Mr Clinton is due to outline the plan in a speech in Kansas City, Missouri. After the two years of AFDC cash payments are exhausted, most recipients unable to find a job would be required to enrol in a one-year government work programme.

Unlike some proposals circulating in Congress, the Clinton plan would allow people to re-enrol repeatedly in these programmes, so long as they continued to look for work and did not turn down a job offer. A Republican plan would permit states to cut off people still jobless after three years in a government work programme.

The idea of indefinite work programmes has caused considerable debate. Some critics fear it will create an open-ended government jobs programme, leaving many families still dependent on a government dole even if they are required to do some work in exchange for their benefits.

Administration officials said Mr Clinton had decided it would be wrong to cut off people "playing by the rules" and genuinely looking for work.

The decision raises financing problems for the overhaul, since there is little reliable basis for estimating how many people will still be unable to find jobs after two years of cash benefits and another couple of years in a government-sponsored work programme.

In all, the Clinton welfare plan is expected to cost about \$9.5bn over five years – about half the cost of a "Cadillac version" proposed earlier by a White House task force.

Besides the government-sponsored work schemes, costs would include expanded training programmes and the provision of child care to help low income parents go to work.

After Mr Clinton ruled out any new tax, the White House has focused on financing the reform by restricting benefits to non-citizens, by cutting off disability payments to drug and alcohol abusers and by an accounting change allowing money to be drawn from the Superfund, which pays for the clean-up of toxic waste dumps.

## Independents struggle to enter Senate race

# Democrats tackle North

By George Graham

Virginian voters in a Democratic party primary election will choose today a candidate to face the Republican nominee Mr Oliver North for a seat in the US Senate.

Incumbent Senator Chuck Robb is generally expected to sweep the primary, but the real race will be elsewhere as independent candidates battle to gather enough nominating signatures to get their names on the ballot for November.

By the time the polls close at 7 pm (11 pm GMT), Mr Douglas Wilder, Democratic former governor of Virginia, and Mr Marshall Coleman, Republican former state attorney-general, must present documents with about 15,000 signatures, including at least 200 from each Congressional district in the state.

Their independent candidacies are expected to be crucial in an election where neither of the main party candidates has wide support. Mr Robb, once a rising star of the Democratic party, has been tarnished in the eyes of many voters by his sexual peccadilloes. His acknowledgment of a naked massage, but nothing more, by a beauty queen has entered the comic lexicon of US politics with President Bill Clinton's insistance that, yes, he had smoked marijuana but did not inhale.

Many ardent Republicans are expected to vote for him today in the primary, in the belief that he is the candidate Mr North can most easily defeat.

Mr Robb could lose many votes, especially among the mostly Democratic black Virginians, to Mr Wilder, the first African-American elected a state governor since the Reconstruction period immediately after the Civil War.

Mr North was a central figure in the Iran-contra scheme to send arms to Iran in exchange for the release of US hostages held in Lebanon. That damaged President Ronald Reagan's later years in office. Mr North commands fervent adoration from the mostly right-wing and religious Republicans who nominated him, but deep distrust from almost everyone else, including many centrist Republicans.

**President Bill Clinton and his wife Hillary have been interviewed by the independent prosecutor Mr Robert Fiske about the Whitewater controversy over their personal financial affairs, including the death last year of the White House aide Mr Vince Foster, the White House said yesterday, Reuter reports from Washington.**

**Mr Lloyd Cutler, White House counsel, said that the Clintons had answered Mr Fiske's questions under oath at the White House on Sunday afternoon.**

# Haitian refugee ships off Jamaica

By Canute James in Kingston

Two US ships on which Haitians will be questioned about their requests for asylum in the US were anchored just outside the harbour of the Jamaican capital at the weekend.

But there is still no indication when the operation will begin.

US officials say that Haitians fleeing their country for the US will still be returned home.

The USS Comfort, a thousand-bed hospital ship, and the Gruziya, a chartered Ukrainian cruise ship, will be the first processing centres off Jamaica, under the new US policy to give Haitians seeking asylum a hearing to determine the validity of their claims.

There is no definite date for starting the migrant processing centre, said Brig-Gen Michael Williams who is heading the operation. "Until such time that all arrangements have been completed, the US will continue to repatriate all Haitians interdicted at sea and encourage Haitians to go to one of three processing centres already in Haiti as the safest way to process their claim to refugee status," he added.

When the operation begins, Haitians intercepted at sea will be taken to the Comfort, two miles outside the entrance of Kingston harbour, where they will be medically tested and photographed.

After questioning, Haitians not accepted as refugees will be returned to Haiti. Those "determined to have a legitimate status as refugees" will be sent to Kingston airport, flown to the US naval base at Guantánamo in Cuba, and then taken to the US, Brig-Gen Williams said.

The use of the ships to process Haitians' claims followed criticism of the US policy of returning all Haitians intercepted at sea. The volume of Haitian boatpeople heading for Florida has grown since the overthrow and exile of Mr Jean-Bertrand Aristide, Haiti's elected president, in 1991.

President Clinton and Emperor Akihito of Japan inspected a guard of honour for the latter's visit to Washington yesterday

# Mexico peace plan starts in south

By Ted Bardacke in Mexico City

The Mexican government will begin unilaterally to implement the local economic programmes proposed in its peace offer to the Zapatista rebels in Chiapas, despite their overwhelming rejection of the plan at the weekend.

Efforts to try to implement the programmes, aimed at improving the lot of the indigenous people in the impoverished southern state, will be made in areas not under rebel control.

The move is seen as an attempt to show the Zapatistas that the government is serious about making good on its offers, as well as to isolate the rebels from potential supporters in surrounding areas.

The rebels are already in a very weak position militarily, virtually surrounded by the Mexican army which has been ordered to reinforce its patrols in the area.

In rejecting the government's peace offer and seeking a new round of talks, the Zapatistas said their main concern was that their national demands for a democratic transition in the country had not been met. Since the beginning of negotiations, the government has said such issues would be taken up not with armed insurgents but with the country's political parties.

A recent overhaul of the nation's electoral system, spurred by events in Chiapas but negotiated by the government and political parties in Mexico City, seems not to have satisfied the Zapatistas.

The problem of the rebels is thus unlikely to be resolved before the national elections in August, as the two sides appear to disagree on the basic issue of how much say the insurgents should have over issues of national scope, principally democracy.

"We still do not have definitive accords, but the ceasefire has been consolidated and the commitment to search for a political decision in favour of peace is maintained," said Mr Manuel Camacho Solís, the government's peace negotiator.

However, the government has failed in one of its main objectives – to disarm the rebels before the elections – and it will be up to the next president to grapple with the problem.

# Cuba close to telecoms sale

By Ted Bardacke

Grupo Domos, a Mexico-based holding company, is close to finalising a deal to buy 49 per cent of Emtelcuba, Cuba's telephone monopoly, for about \$1.5bn (£1bn).

This would be Cuba's first important privatisation since the 1959 revolution and would be in the context of rapidly growing business between Mexico and Cuba.

The deal is likely to include a concession to operate the telephone system in Cuba and an ambitious modernisation plan.

The length of the concession and its price are still being negotiated. Company officials said the deal was being discussed yesterday during a one-day visit to Havana by President Carlos Salinas de Gortari of Mexico.

He is being accompanied on his trip by Mr Javier Garza Calderón, leader of Grupo Domos and a member of the wealthy Garza family of Monterrey in Mexico, which has interests in such industrial giants as Visa, Femsa and Bancomer.

Mr Garza Calderón was a bidder for Telmex when the Mexican government privatised its telephone monopoly in 1990.

He did not win on that occasion but has maintained his group's interest in telecommunications, until recently operating cellular-phone services in northern Mexico.

The Cuban telephone system that Domos would purchase is even more antiquated that the Mexican network it once tried to buy. Fewer than five in every 100 people in Cuba have telephone lines and as many as half of those lines are not functioning at any one time.

However, Domos is betting that negotiations between Cuban and US officials will open a lucrative long-distance calls market between the two countries beyond the current limit of 300 calls per day.

Even with the limit, those and other international calls generate hard-currency income of an estimated \$2m per month for Cuban Telecommunications.

Other Mexican companies are operating in Cuba, in tourism, textiles, cement, cellular-phones and oil exploration, among other areas.

# Exports limp behind while the rest of Peru strides out

## After almost four years of sweeping economic reform, one vital sector stubbornly stands out in its failure to respond, writes Sally Bowen

The export sector continues to be the Cinderella of Peru's buoyant economy. In the almost four years since the administration of President Alberto Fujimori embarked on its sweeping programme of deregulation and structural adjustment, exports have stubbornly failed to respond.

Exports were, in fact, stagnant throughout the 1980s, never coming close to matching the record \$3.9bn in 1980. What has changed is their make-up: "non-traditional" exports (mainly finished and agro-industrial products) have gradually gained in importance while traditional exports (minerals, oil, sugar, cotton and fishmeal) have fallen to 67 per cent of last year's estimated total value of \$3.4bn.

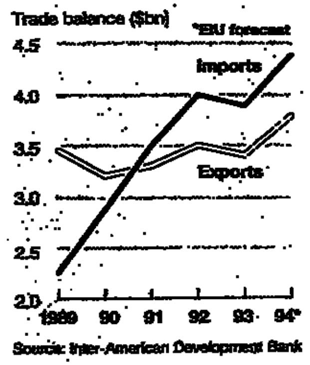
The sluggish performance reflects in part Peru's vulnerability to international raw materials prices. And while the economy enjoyed the protection of high tariffs – until early 1991 – the balance of trade remained favourable.

But three years of fast-growing, mainly consumer-driven imports have sunk Peru's trade account into deficit and the gap this year will be wider than ever. Even Mr German Suarez, president of Peru's central bank, has admitted the deficit will almost certainly be well above the \$569m enshrined in the 1994 "letter of intent" currently pending approval by the International Monetary Fund.

This year's economic programme, to an even greater extent than hitherto, stresses control of inflation – it should not exceed 20 per cent this year, down from 39.5 per cent in 1993. The exchange rate, meanwhile, will continue to float but money supply targets will remain tight. The central bank will not sacrifice these targets in order to intervene on the foreign exchange markets.

All of which is bad news for Peru's already hard-pressed exporters. In the past 12 months, the Peruvian sol has appreciated by almost 14 per cent against the dollar – half of that in the first five months of this year.

Mr Francisco Raffo's modern Textil San Cristobal factory in Chincha is just the sort of operation that Peru should be encouraging. Built at a cost of \$10m four years ago, it produces top-quality cotton knits for some of the world's most demanding customers, including Adidas, Nike and Reebok. Sales last year – about 90 per cent exported – topped \$24m.




Source: Inter-American Development Bank

San Cristobal trades on Peru's natural advantages – world class raw materials in its Pima and Tanguis cotton and an inexpensive but skilled labour force. Machinery is the most modern available and efficiency is high. "But even having cut costs to the bone, we barely turn a profit," says Mr Raffo.

Although exporters publicly demand government intervention to "improve" the exchange rate, most of them privately admit this is unlikely under the free market economic policies to which the Fujimori government is committed. Action, however, could be taken on a number of other fronts to reduce excess charges and "anti-technical" taxes, they say.

First, they want a full tax "drawback" scheme on the grounds that "taxes should not be exported". Currently, exporters can reclaim locally-applied value added tax, though the system is unwieldy and refunds slow to come through.

Exporters, however, enjoy no "drawback" on the high internal tax levied on fuel products. The economy and finance ministry claims the scheme is too complex to administer. Mr Raffo reckons his energy costs, at \$100,000 a month, are three times those of Latin American competitors.

Peruvian businesses are also hammered by a series of supposedly "emergency" tax measures, in force until fiscal reforms and a broadening of the taxpayer base is achieved. One is a minimum 2 per cent tax on assets, paid monthly and offset as an income tax credit if the business turns in a profit. Lossmakers forfeit the tax entirely.

Businesses must now also bear the entire brunt of the housing fund contribution Fonavi, in effect a 9 per cent payroll tax. And, despite the decline in terrorist attacks, security costs remain a heavy burden on Peruvian businesses.

The government argues that exporters have benefited substantially from a series of structural reforms, including the slashing of import duties, port handling and transport costs.

While admitting that customs efficiency has improved, exporters complain that procedures remain cumbersomely bureaucratic.

"We're now competing in a global marketplace with countries like Taiwan and Korea, and we simply can't afford these delays," says Mr Raffo.

The yawning trade deficit this year may, however, force more decisive moves to deepen the partly completed foreign trade reforms.

"If the gap between imports and exports approaches \$1bn this year, which is perfectly likely, then the government will have to take steps to improve conditions for exporters," predicts Mr Raffo.

# Abu Nidal follower claims Lockerbie bombing

By Mark Nicholson in Cairo

A Palestinian follower of Abu Nidal, one of the world's most wanted terrorists, claimed in a Lebanese court yesterday he himself had caused the bombing in 1988 of the Pan Am flight which exploded over Lockerbie, Scotland, killing 270 people.

Mr Youssef Shabaan, 29, made the claim during his trial on charges of assassinating a Jordanian diplomat in Beirut earlier this year. Mr Shabaan denies this charge, but told the court: "I personally blew up the Lockerbie plane." He added: "I've told the investigating magistrate about it before, but my confession wasn't documented. I say it again now."

The claim would appear to cloud further the already murky Lockerbie saga, with which various countries and organisations have at one time or another been associated. These include Libya, Iran, Syria and a Damascus-based Palestinian group led by Mr Ahmed Djibril.

The focus of official US and British investigations into the bombing remains fixed on Libya, where sanctions have been applied since 1992 for Tripoli's refusal to hand over for trial in Scotland or the US, two security agents blamed for bombing flight 103. Nevertheless, a British foreign office spokesman said Mr Shabaan's apparent confession would be investigated.

Previous research has tended to distance Abu Nidal's group from the Lockerbie bombing. In his 1992 book Abu Nidal: A Gun for Hire, author Mr Patrick Seale says the "world's most notorious Arab terrorist", whose real name is Sabri el-Banna, had "no connection" with the Lockerbie bombing. But he nevertheless cites one of Abu Nidal's associates as quoting the guerrilla leader saying: "We do have some involvement in this matter, but if anyone so much as mentions it, I will kill him with my own hands."

However, Mr Seale records Abu Nidal's "more outrageous lies" as including improbable claims to have caused the Brighton bombing in 1984 and the fire at Bradford City football ground in 1985 in which scores of fans died.

Abu Nidal's Fatah Revolutionary Council split from the Palestine Liberation Organisation's mainstream Fatah wing in 1973 and is believed to have been behind scores of terrorist acts in the 1970s and 1980s, including an assassination attempt on Israel's ambassador to the UK in 1982 and the slaughter of 16 people in a shooting at Rome airport in 1985. He is wanted in at least 20 countries.

Abu Nidal's whereabouts are also a puzzle. He is believed to have left Damascus for Tripoli in 1986, has been linked with Iraq, but the US state department last year cited reports that his group had found sanctuary in Sudan. Just five days ago Colonel Muammer Gadaffi, Libya's leader, claimed he thought Abu Nidal had died. Quoted by the state news agency, Col Gadaffi said: "I believe he is not alive because I have appealed to him (to visit) and he didn't come."

● Mr Samir Geagea, leader of the Lebanese Forces militia during the country's 17-year civil war, was yesterday charged with involvement in the February bombing of a Beirut church in which 11 people were killed while at prayer. Mr Geagea's deputy, Mr Fouad Malek, and six other members of the LF were also indicted by a Lebanese prosecutor who has been investigating the bombing. All the accused face a possible death penalty if convicted.

The indictment claims that one of the accused had direct contact with an Israeli intelligence officer before the bombing.

# BIS wary of direct curbs on derivatives

## Philip Coggan on the bank's reports as its annual meeting gets under way in Basle

Central banks should be wary of direct control of the growth of new financial instruments such as derivatives, the Bank for International Settlements argues in its 1993-94 report, published to coincide with its annual meeting in Basle yesterday.

But Mr Andrew Crockett, BIS general manager, writing in the report's conclusion, says: "There is no inherent reason why the greater freedom to transact in capital markets should, in general, make prices more volatile. If anything, more depth and liquidity in markets, and a greater ability to disaggregate exposures and hedge unwelcome risks should reinforce the stabilising properties of markets."

While the BIS does not want to see direct controls on these markets, it does believe – as Mr Alan Greenspan, US Federal Reserve chairman, argued last week – that they should be carefully monitored.

"Any official action should be directed at improving the ability of market participants to exploit the advantages of new instruments without jeopardising their own financial soundness or the stability of the financial system more widely," the report says.

Mr Crockett said yesterday: "I don't think that administrative or restrictive controls are the right way in which to reduce the potential volatility that, it has been alleged, can be introduced by derivatives markets."

Mr Wim Duisenberg, BIS president, said financial markets must be strengthened. "Positions or trading strategies which may appear reasonable from the perspective (of an individual firm) can be a source of difficulties when aggregated across agents."

In the case of derivatives, Mr Duisenberg said clearing house arrangements which guard against risk for exchange traded instruments have proved extremely difficult to extend to the over-the-counter markets. Furthermore, Mr Duisenberg said, further work is needed to improve settlement systems, particularly those relating to international transactions.

The Basle Committee on Banking Supervision, for which the BIS is the secretariat, is working on a guidance paper for bank supervisors on the control of the risks arising from derivatives activities. The committee is also studying the models used by individual banks to monitor risk.

Mr Crockett warned banks should be careful when dealing with non-financial groups. Referring to recent problems at companies such as Metallgesellschaft, he said: "Banks must be very careful in selling products to unsophisticated large users. They must also take fully into account the credit risk of dealing with non-bank users."

The BIS also calls for further study into the way that the growth of derivative instruments may have affected the response of the economy to policy changes by the monetary authorities, such as movements in interest rates. "The extent to which such changes in behavioural response call for adaptations in how central banks implement policy is unclear, but it is a question that deserves, and is the subject of, further investigation as these markets continue to grow."

In essence, however, the BIS believes instability is more likely to arise from failures in government and central bank policy, than from new financial instruments.

"What capital market innovations demonstrate is the need for stable monetary policies, implemented in a medium term framework," says the report. "If market participants have confidence in the medium-term environment for investment decisions, then these decisions are more likely to contribute to stability and less likely to have disruptive consequences."

## RECOVERY 'WILL FAIL TO SOLVE UNEMPLOYMENT'

**Even a sustained recovery in industrial economies will fail to solve the problem of unemployment, the Bank for International Settlements warns in its annual report, writes Philip Coggan.**

**The BIS takes the free-market line that "a large proportion of the labour force will remain unemployed unless action is taken to make labour markets more flexible, especially in Europe".**

**Mr Andrew Crockett, general manager of the BIS, said: "The purpose of the financial and economic system is to serve social goals: growth and employment foremost among them.**

**"If the economic and financial system is not succeeding in delivering full employment, we cannot be satisfied.**

**"The danger is that people will reach for the most obvious solution: to expand aggregate demand."**

**In the annual report, the BIS argues high unemployment is due to "structural rigidities that prevent the labour market from functioning efficiently.**

**"Legal or other arrangements, originally designed to protect workers in employment, have turned against those without jobs."**

**The bank is not very optimistic that the problem can be easily solved. "Unfortunately for the prospects of achieving reform, existing arrangements are often backed by a strong social consensus," the report adds.**

**"There seems to be little alternative to a patient explanation of economic cause and effect as a means of preparing public attitudes for the changes essential if lasting progress is to be made in tackling the evil of unemployment."**

**More immediately, the Bank argues that progress could be made by scaling back employers' social security contributions and other non-wage costs which may constitute a disincentive to take on labour.**

**Although the bank feels that the current unemployment rate of 11.5 per cent in European countries is partly cyclical, it warns that "even on the most favourable estimates, some 7-8 per cent of hard-core or structural unemployment would remain after a cyclical recovery".**

Improving business confidence lifts Nikkei index to 21,552

# Tokyo shares at two-year high

By Emiko Terazono in Tokyo

The Tokyo stock market hit a new two-year high yesterday as investors were encouraged by positive economic data and positive comments over an early recovery by leading financial officials.

The Nikkei index of 225 leading shares rose 157.63 to 21,552.81, the highest since February 1992. Heightened optimism towards the economy helped the index break a psychologically important 21,000 level last week, improving confidence among both institutional and retail investors.

Yesterday's rise follows the release of the Bank of Japan's quarterly business survey last Friday which indicated an improvement in sentiment among managers for the first time in five years.

Mr Yasushi Mieno, governor of the central bank, yesterday said before a parliamentary committee that there seemed to be a high possibility the economy had moved a step toward recovery.

While cautioning that currency movements and stock adjustment among manufacturers still needed monitoring, Mr Mieno said interest rates were sufficiently low for companies to start capital investment. He also expects income tax cuts worth Y5,500bn (£35bn) to help recovery. Similar views were aired by Mr Jiro Saito, vice finance minister, although he refused to "declare with confidence that the economy will head toward recovery".

Such economic optimism hurt Tokyo bond prices yesterday, as investors switched funds from bonds to stocks. And although the two-week rally has started to make some investors anticipate a correction, most are expecting the downside to be limited. "We haven't had big jumps in the market and volumes have been encouraging," says Mr Jason James, strategist at stockbroker James Capel.

Since many banks and industrial companies still hold large amounts of shares in their investment portfolios, the rise in share prices is in turn expected to have a positive effect on business sentiment.

South African President Nelson Mandela (right) at his first Organisation of African Unity summit as president, turns to talk to Zambian President Frederick Shiloba at the beginning of the OAU meeting in Tunis *Reuter*

# Murdoch cut BBC to please China

By Raymond Snoddy

Mr Rupert Murdoch, chairman of News Corporation, has finally admitted that he kicked BBC World Service Television off his Star TV system in Asia to please the Chinese government and help establish the satellite service there.

In an interview with Mr William Shawcross, author of a Murdoch biography, for Esquire magazine, Mr Murdoch conceded he had perhaps taken the action "a bit too easily because of my feelings for the BBC".

Mr Murdoch also argued that it was pointless doing any broadcasting in Asia except in local languages. But he accepted that those arguments did not meet the main criticisms that had been made of him in an editorial in the International Herald Tribune.

"There's no answer to it. They say it's a cowardly way, but we said in order to get in there and get accepted, we'll cut the BBC out," said the News Corporation chairman.

"I was well aware that the freedom fighters of the world would abuse me for it. I think my credentials are good enough to be able to see me through that one. But I don't want to do it through the medium of the BBC," Mr Murdoch added.

The BBC agreed to go off the northern beam of the Star TV system which covers Hong Kong, China, and Taiwan before its contract ran out at the end of this year. In return News Corp was able to negotiate an extension into 1996 to keep its service on the southern beam covering the Indian sub-continent.

In a speech in London last September Mr Murdoch spoke of how advances in technology "have proved an unambiguous threat to totalitarian regimes everywhere".

It was an argument that clearly impressed the Chinese government.

# France, South Africa and Egypt 'supplied Rwanda massacre arms'

By Leslie Crawford in Nairobi

France, South Africa and Egypt may have aided the slaughter of Tutsi civilians in Rwanda by providing weapons and military training to the Rwandan army and its militias, according to secret military documents obtained by Human Rights Watch, a non-governmental organisation which monitors the observance of human rights.

Human Rights Watch believes the massacres, which have claimed more than 200,000 lives in just over eight weeks, were systematically planned for months in advance by extremists among the majority Hutu ethnic community.

Hardline elements of the Rwandan military, unhappy at the prospect of sharing power with Tutsi rebels following the end of a three-year civil war, armed and trained paramilitary militias as they sought to delay the implementation of a peace agreement signed in August last year.

While firearms were distributed to Hutu militia known as Interahamwe ("Those Who Attack Together"), a private radio station with close links to the government broadcast hate-filled propaganda against the Tutsi community, which make up 15 per cent of Rwanda's population.

When United Nations soldiers arrived to monitor the Rwandan peace agreement, General Romeo Dallaire, the Canadian commander, says hand grenades could be bought in market stalls for a dollar. Once the slaughter began, following the death of President Juvenal Habyarimana in an air crash on April 6, hand grenades were thrown into schools and churches that had given refuge to Tutsi civilians.

Militia leaders urged their members to fan out across the country and finish the *nettoyage* (cleaning up) of Tutsis and Hutu opponents of the Habyarimana dictatorship. "The death of President Habyarimana... was the pretext for Hutu extremists from the late president's entourage to launch a campaign of genocide against the Tutsi," Human Rights Watch says.

"Militia and military continue to make nightly visits to stadiums, church compounds and other locations where people at risk have taken refuge," it continues. "They remove groups of people to be executed. Anyone who is educated or has shown capacity for leadership is targeted for elimination."

Two reports published by the human rights group are particularly embarrassing for France, Rwanda's long-time military patron. Human Rights Watch says France provided weapons, armoured cars and helicopters, as well as military advisers and up to 680 troops to help the Rwandan government fight the rebel Rwandan Patriotic Front (RPF).

In addition, Human Rights Watch obtained confidential documents concerning a $6m (£4m) Egyptian arms sale to Rwanda which included landmines and plastic explosives, automatic rifles, long-range artillery and rocket launchers of the kind that are now pounding the capital Kigali. Under the agreement, Rwanda was to obtain a bank guarantee from a "first class international bank" and pay the $6m into an Egyptian government account held at a London branch of Crédit Lyonnais, the state-owned French bank.

Mr Olivier Perrain, a spokesman for Crédit Lyonnais, yesterday confirmed the existence of the account but said his institution had not provided the bank guarantee. "Crédit Lyonnais took no part in the transaction," Mr Perrain said.

Another invoice obtained by Human Rights Watch shows that South Africa's Armscor was also selling weapons to the Habyarimana government during Rwanda's civil war. Mr Tielman de Waal, Armscor general manager, says the sales stopped in October last year, when the war had officially ended.

Less can be proved about the RPF's military sourcing. The RPF claims to have captured arms from the Rwandan government and bought others on the open market. Less credibly, it claims to have stolen weapons from the Ugandan army, to which many Rwandan exiles belonged.

Major Paul Kagame, the RPF's top military commander, was Ugandan President Yoweri Museveni's chief intelligence officer before launching his own rebel movement. And despite repeated denials, it is an open secret in Uganda that Mr Museveni allowed the Rwandan rebels to use Ugandan territory as a sanctuary for the planning of attacks, stockpiling of weapons and movement of troops.

*Genocide in Rwanda April-May 1994, and Arming Rwanda. Human Rights Watch/Africa, 33 Islington High Street, London N1. Fax 071-713 1800*

# Acid rain pact to be signed in Oslo

By Bronwen Maddox, Environment Correspondent

Officials from more than 30 European and North American countries, meeting in Oslo, are expected today to sign a far-reaching pact to curb acid rain.

Mr Thorbjoern Berntsen, Norway's environment minister, warned the agreement, reached after a year of tortuous negotiation, "will not solve the problems, but it's a step in the right direction".

The new protocol, part of an international "umbrella" convention covering air pollution which crosses national boundaries, aims to curb emissions of sulphur, one of the main components of acid rain. Acid rain is thought to damage plants and fish and eat away at buildings.

The deal has been controversial because sulphur is emitted mainly by coal-fired power stations, and curbs require countries either to switch energy sources or fit expensive filters to power station chimneys.

The new deal, worked out by the United Nations Economic Commission for Europe, which covers most of western and eastern Europe together with North America, has broken with precedents by setting individual targets for each country based on how much pollution wildlife and plants can withstand before being damaged.

It replaces a 1985 protocol under which all signatories pledged to cut sulphur emissions by 30 per cent from 1980 levels by the end of 1993.

Britain, Poland and Spain, which contribute a large part of the 20m tonnes of sulphur spewed into the European air each year, and which declined to sign the earlier protocol, are expected to sign today.

US officials, who are attending the meeting, will not sign. However, they have argued that their environmental standards, while based on different criteria, are as strict as the Oslo cuts.

Under today's agreement, Germany faces the biggest cut - of 87 per cent compared to 1980 levels by 2005 - which it plans to achieve largely by modernising noxious plants in eastern Germany. Britain will pledge to cut sulphur emissions by 80 per cent on 1980 levels by 2010, mainly by switching to gas from coal at power stations.

Greece will agree to curb emissions by just 4 per cent as its soil contains high levels of calcium, which neutralises sulphur, and so suffers less damage.

Environmental groups Friends of the Earth, Greenpeace and the World Wide Fund for Nature, in a joint statement yesterday criticised the protocol as "inadequate to stop acidification".

# Arafat's offer on Jerusalem

Mr Yassir Arafat, Palestine Liberation Organisation chairman, has told Israel in a letter the issue of Jerusalem should be off the agenda for now, according to an Israeli newspaper yesterday, Reuter reports from Jerusalem.

The daily Haaretz said the PLO leader had sent three letters to Mr Yitzhak Rabin, Israeli prime minister, reaffirming his commitment to peace and proposing a lull in weeks of bickering over the status of the holy city.

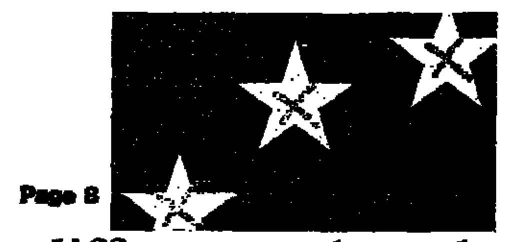
Mr Rabin confirmed to Israel Radio he had received three Arafat letters but refused to detail their contents, but said: "They don't touch on anything but the agreements and certain difficulties as described by Arafat among the Palestinian population in the territories."

In the letters, according to Haaretz, Mr Arafat proposed direct dialogue with Mr Rabin and asked Israel not to hamper existing Palestinian institutions in Arab East Jerusalem

FINANCIAL TIMES

# European Elections '94

The new assembly's agenda Page 8



Results country by country Pages 9-11

The challenges ahead Page 12

Where electors failed to show indifference, they showed defiance, writes **Lionel Barber**

# Politics of protest wins day

■ Voters' rebelliousness is tempered by a yearning for greater security ■ European Parliament has chance to exert real influence

The new European parliament has made an inauspicious start. Low voter turnout has again challenged the legitimacy of an institution which claims to represent the European Union's best chance of increasing democratic accountability.

Apathy was expected in the UK but the mood seems to have spread to the Netherlands, Ireland and Portugal, traditional bastions of Euro-enthusiasm. Where electors failed to show indifference, they demonstrated defiance. With the exception of Germany, where Mr Helmut Kohl's victory shows how much voters still lean toward *Stabilität über alles*, the politics of protest scored heavily.

The main – practically the only – left-wing victory came in the UK, where the British government's insistence in keeping the majority voting system for Euro elections has resulted in a disproportionate increase in the Socialist group in Strasbourg.

Across Europe, the outcome was one of kaleidoscopic variety. In France, Mr Bernard Tapie and Mr Philippe de Villiers, mavericks of the left and right, emerged far stronger than expected. In Italy, Prime Minister Silvio Berlusconi showed that his Forza Italia movement's general election victory in March was more than simply an isolated surge of resentment with the political establishment. In Spain, Prime Minister Felipe González joins Mr John Major as one more incumbent leader in deep trouble.

The picture that emerged on Sunday night contains conflicting and contradictory elements. The forces of fragmentation unleashed by the collapse of communism in eastern Europe are still on the loose in the west. Disillusionment with political elites remains palpable. But rebelliousness is tempered by a yearning for greater security. Curiously, the EU looks a safer and more attractive place from outside than from inside. Perhaps the most significant result will turn out to be the overwhelming Austrian vote on Sunday in favour of joining the European Union.

The big question is whether the EU, now attempting to bring in four new members from the European Free Trade Association, can reconcile this volatile public mood with the grand designs drawn up in the Maastricht treaty.

Can Chancellor Helmut Kohl, whose chances of remaining in office in the October general election have clearly grown, coax the German electorate into accepting a fixed timetable for surrendering the D-Mark in economic and monetary union (Emu)?

Can President Francois Mitterrand's successor in 1995 persuade his fellow Frenchmen that the price of winning German support for Emu will be political union – an arrangement which will necessarily constrain French sovereignty in foreign and security policy?

Can a weakened Felipe González encourage Spaniards to accept the labour market flexibility and public spending discipline which remain crucial to Spain's economic future?

Mr Hans Van den Broek, former Dutch foreign minister and now EU Commissioner for external political affairs, said on Sunday night that it was very difficult for the ordinary European citizen to recapture enthusiasm for the European ideal in the absence of "concrete achievements".

He singled out EU's impotence in the face of the conflict in Bosnia, despite its huge humanitarian aid effort. And he pointed to the EU's army of unemployed, now past the 18m mark. A Commission official adds: "Europe has failed to answer the question: 'What's in it for me?'"

In search of an answer, the newly-elected parliament can play a constructive role. Not a decisive role, because its powers are limited. It cannot initiate legislation, for that is the sole prerogative of the Commission. Nor does it enjoy direct revenue raising powers. But the new Maastricht right of co-decision on Euro-legislation, which it shares with the Council of Ministers, offer MEPs the opportunity to put the parliament on the map.

The chances of MEPs exerting real influence depend on a variety of factors, starting with the composition of the parliament. At least 60 per cent of the intake will be new members. With luck, many should be superior in quality to their predecessors, a motley bunch of mavericks and freeloaders interspersed with genuine talent (much of which was to be found among British MEPs, widely praised by their peers in a pre-election survey conducted led by Libération, the French daily).

It is unclear, however, how the new groupings and parties will work with each other in order to strengthen the parliament's influence on legislation as well as its power alongside the Commission and the Council.

The parliament's institutional future will itself a crucial question at the intergovernmental conference to review Maastricht in 1996.

The Socialist group is likely to be the parliament's single most cohesive group. The centre right has gained strength, but the Christian Democrat-dominated European People's Party remains fragmented, with the allegiances of Mr Berlusconi's Forza Italia and the French Gaullists in doubt.

The British Labour party is by far the strongest force in the Socialist group.

Although the Socialists may be able to assert themselves in the parliament, their influence will meet natural limits in the form of the continuing predominance of centre-right governments in the Council of Ministers.

The lack of political harmony between parliament and Council raises another large question. How far is the parliament ready to use its muscle to challenge the Council not just on the fine points of Euro-legislation but also on the wider question of democratic accountability in decision-making?

An early test of strength will turn on the choice of the next president of the European Commission, a decision to be taken in secret by the 12 EU heads of government, possibly at next week's European summit in Corfu.

Under the Maastricht treaty, the parliament is called upon to approve the selection. To exert a veto would be tantamount to pressing a nuclear button. But MEPs could use the opportunity of their high profile in public debate to pass judgment on the wisdom of the choice, and could also put forward a list of legislative priorities for the next Commission.

The task for the new Euro-assembly will be to exercise and develop its present powers without provoking the Council (and national parliaments) to the extent of causing a backlash at the 1996 inter-governmental conference. If they can succeed in this design, and somehow simultaneously win the trust and engage the interest of the Euro-electorate, MEPs might be able to claim that they have finally come of age.

### The main points

- **Best performers:** Chancellor Helmut Kohl in Germany, renegade French businessman Bernard Tapie, Italian prime minister Silvio Berlusconi.
- ***Worst performers:*** *UK prime* minister John Major, Spanish leader Felipe González.
- **Main winner:** Apathy. Turnout of 56.5 per cent was lowest ever for a Euro-election.
- ***Lowest turnout:*** *Netherlands* (35.6 per cent), Portugal (35.7 per cent), UK (36.2 per cent).
- **Government parties did best** in Germany, Italy, Greece; worst in UK, Spain, France.
- **Left-wing parties did well** *only in the UK. They fared* badly in Germany, Spain, Italy, Denmark, and Belgium.
- **Far-right** gained in French- and Dutch-speaking Belgian regions, but slipped in France and Italy. Republicans lost all seats in Germany.
- **Anti-Maastricht** protest parties did best in France, Denmark, Spain, Greece; but badly in Germany.



# Anti-Maastricht ghosts rise up to wreak polls vengeance

By David Buchan in Paris

A picked scab never heals. This has been the theory on which Mr Philippe de Villiers has been working ever since his anti-Maastricht cause lost the French referendum by a whisker in September 1992.

And on Sunday he triumphed. His Other Europe list scored 12.3 per cent in Sunday's French Euro-election to put himself and 12 other anti-Maastrichters, including Sir James Goldsmith, into the Strasbourg Parliament.

His success was not entirely unique. In Denmark two anti-European movements, the June Movement and the People's Movement Against the EU, rose from 18.9 to 25.5 per cent of the vote – a result that is expected to leave Denmark digging in its heels against further European integration. And in Belgium, the Flemish extremist party Vlaams Blok, and the National Front in Wallonia saw their support surge.

But it is France that the anti-Maastricht surge has been most vigorous and most startling – not least because of the maverick persona of Mr Villiers himself.

After the 1992 referendum, better-known leaders of the French anti-Maastricht movement went on to hold office; Mr Charles Pasqua became interior minister and Mr Philippe Séguin president of the National Assembly, posts which inevitably led them to muzzle their residual opposition to the controversial treaty.

But Mr de Villiers, a deputy nominally within the pro-European centre-right UDF federation, never stopped picking away at the division over Europe that the referendum revealed. He wrote a book called Our Europe with Maastricht. He formed a supporters' club called "Combat pour les Valeurs" whose main credo is the fight against Brussels and sought alliances with like-minded defenders of the nation-state in other European countries.

But special reasons contributed to his success at home. First, the Other Europe provided an outlet for conservative French Euro-sceptics who saw none of their views reflected in the joint pro-Maastricht list presented by the UDF-RPR governing parties.

Second, while the only strong base of aristocratic Mr de Villiers – full name: Philippe Le Jolis de Villiers de Saintignon – is in the rural, royalist Vendée on the west coast, his list had others of national pulling power. Number two on it was Sir James Goldsmith, whose book The Trap of Gatt evidently endeared him to unreconciled opponents of the world trade accords.

The next pair on the list were Mr Charles de Gaulle, the late general's grandson whose public diffidence was far outweighed by his name recognition, and Mr Thierry Jean-Pierre, a former magistrate who won campaign headlines by attacking corruption.

The third factor was that Sir James' presence on the list gave it virtually unlimited finance. An Other Europe spokeswoman said yesterday the list had received "money from the public as well as that of [Sir James] Goldsmith", whose Gulfstream jet she said had also been useful in the campaign. An official of the National Committee for Campaign and Political Finance, which oversees French election funding, explained yesterday that while outsider contributors were limited to gifts of FFr500,000 (£58,500), a candidate could contribute up to FFr85m (£1m) to his or her list.

# The deal makers hunt for allies

By Gillian Tett and David Gardner

The election results may be counted but a new round of political jostling has just begun.

With composition of the European Parliament split fairly evenly between right and left, the task of building the parliament's political blocs is set to be a delicate game of musical chairs.

The main forum for the manoeuvring will be the parliament's fragmented right wing. While the left is presenting a fairly cohesive front, allied around the dominant Socialist group, the right will face a difficult task in forging any firm alliance.

The Christian Democrat group has traditionally been the key alliance maker on the right. Its number overall has shrunk slightly in the election to around 130 but the European Peoples Party (EPP) which it controls has a raft of likely allies. This could raise the group's overall numbers to near parity with the Socialists.

The question now is whether parties such as the UK Conservatives or Mr Silvio Berlusconi's Forza Italia will be willing to work with the EPP.

"There will be hectic negotiations this week – there will be many telephone calls across the borders," said Mr Leo Tindemans, former Belgian prime minister and leader of the EPP. He insists that the Christian Democrats do not want to associate with Mr Berlusconi's main government allies, the neo-fascist National Alliance/MSI and the Northern League.

Crucial negotiations will also centre around France's neo-Gaullist RPR and the Portuguese ruling centre-right liberals. Portugal's liberals dislike the whiff of incense still wafting around Christian Democracy. In France, the transfer of a full Gaullist contingent, still attached to the General's *"l'Europe des Patries"*, is far from assured.

Although Britain's Tories sat in alliance with the EPP during the latter part of the last parliament, many Christian Democrats are angry at the anti-European tone of the Conservative government and its recent election campaign.

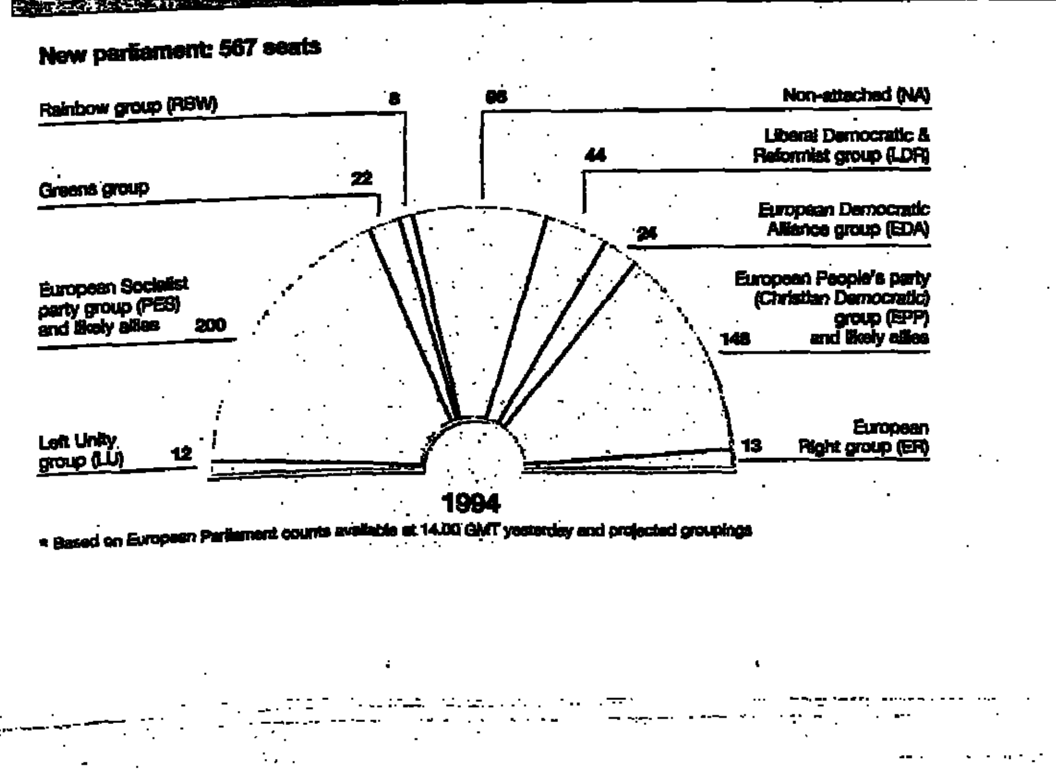
Mr Tindemans himself says that some new alliance with the Conservatives might still be possible – although he admits that Dutch, Italian and Belgian Christian Democrats have been opposed in the past.

The Conservative party says it is keeping its options open until the parliament reconvenes.

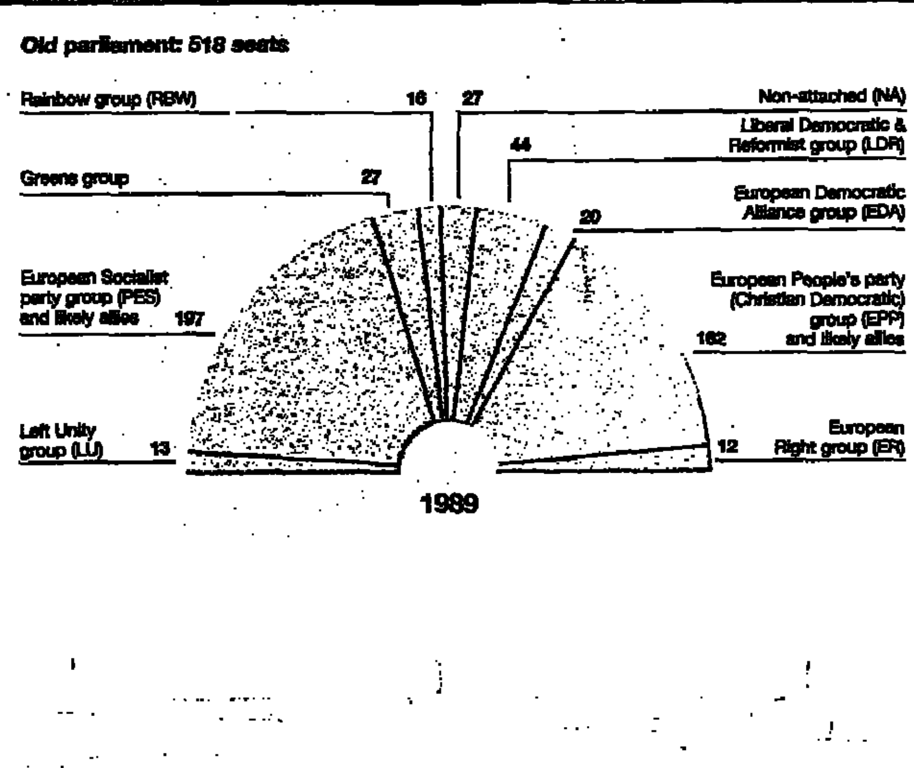
Although Chancellor Helmut Kohl, the main Christian Democrat broker and deal-maker, appears well-disposed towards Mr Berlusconi, Benelux Christian Democrats deplore the Italian leader's alliance with neo-fascists.

Even if the EPP does forge an alliance in the next few weeks, this may sunder over the increased presence of Italy's neo-fascists at Strasbourg when parliament assembles on July 19.

## The new parliament takes shape*









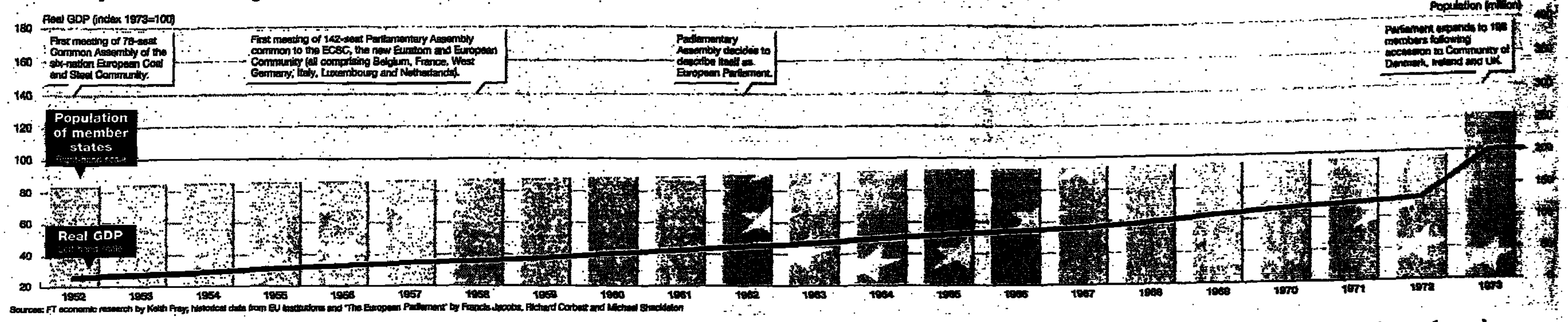
Number of seats by country

| | Seats 1994 | 1989 |
|---|---|---|
| Germany | 99 | 81 |
| Italy | 87 | 81 |
| UK | 87 | 81 |
| France | 87 | 81 |
| Spain | 64 | 60 |
| Netherlands | 31 | 25 |
| Belgium | 25 | 24 |
| Greece | 25 | 24 |
| Portugal | 25 | 24 |
| Denmark | 16 | 16 |
| Ireland | 15 | 15 |
| Luxembourg | 6 | 6 |

* Based on European Parliament counts available at 14.00 GMT yesterday and projected groupings

# European Elections

**How the parliament has grown: six nations to nine**




Sources: FT economic research by Keith Fray; historical data from EU institutions and 'The European Parliament' by Francis Jacobs, Richard Corbett and Michael Shackleton

## PARLIAMENT'S AGENDA

■ **Ready itself to help shape new European Commission**

MEPs have won the right to be consulted over the appointment of the new Commission president. Parliament must also approve the make-up of the 1995 Commission before it can take office. MEPs are seeking to hold confirmation hearings for proposed commissioners.

■ **Intensify involvement in EU law-making**

Already, 2,000 parliamentary amendments, mostly to Single Market law, have been passed, and MEPs now have co-decision rights with the EU Council of Ministers in many policy areas. These include services, education, culture, health, multi-annual R&D and environment programmes, consumer protection, and workers' freedom of movement.
Co-decision means parliament can veto most measures passed by qualified majority voting in the Council; a conciliation committee has been set up to find compromises with the Council on contentious issues.

■ **Increase the transparency of MEPs' links to business**

With Parliament's growing power in important policy areas, the need increases for greater disclosure of members' private involvement in commerce and industry.

■ **Press its case to achieve more legislative power**

Parliament will step up its campaign during preparations for the 1996 Maastricht review, in which pressure will emerge, especially from Germany, for an increase in MEPs' supervisory and legislative roles.

■ **Prepare the campaign to win more budgetary control**

Parliament is able to reject the EU budget and ask for it to be revised. MEPs are seeking more involvement on the revenue side, where it currently has no decision-making power.

■ **Pool forces to reduce the secrecy surrounding Council and Commission decisions**

**David Gardner** assesses the new balance of power in the European Parliament after the elections

# Strasbourg set to tilt to the left

In spite of strong gains for the right across the Continent, the balance of power in the European Parliament has changed little. If anything, in the consolidation of power rather than in absolute number of seats, the Strasbourg assembly will tilt slightly towards the left.

The hitherto dominant Socialist group will have in the new 567-member legislature proportionally much the same presence as in the outgoing 518-strong assembly. This assumes that the Left Radical list in France headed by Mr Bernard Tapie either sits or allies with the Socialists.

Centre-right and right-wing parties are numerically strengthened. But the right will be a highly fragmented force, with fault-lines subject to continual political stress, facing a much more cohesive Socialist bloc.

As a result, the broadly bipartisan motor put together by the Socialists and Christian Democrats in the last parliament may be much harder to crank up. That could stall the parliament in the way it uses its growing powers.

"Negotiations [between the two blocs] this time are going to be that much more complex, because of this new situation on the centre-right," predicts Mr Julian Priestley, secretary-general of the Socialist group, tipped to take over as secretary-general of the parliament.

Strasbourg was invested with significant new powers by the Maastricht treaty, enabling it to negotiate for the first time as a near equal with the Council of Ministers.

Since Maastricht came into force last November, Strasbourg has begun demonstrating that for the first time it has a sense of priorities, and can apply its weight effectively – for example, in winning pledges for a top-table seat for the 1996 Maastricht review.

The new parliament will have to struggle to maintain that momentum, at a time when the Council's cohesion will probably be strengthened. Germany, France and Spain will successively hold the EU's six-month rotating presidency up to 1996, and are co-ordinating efforts to run as seamless a management as possible. The seams on parliament's centre-right, by contrast, are highly visible.

The traditional Christian Democrats, mostly from the six founding member states, have been strengthened by Chancellor Kohl's victory, but have shrunk to a core group of around 130 MEPs. This section could grow in strength if alliances with other groups, including Britain's Tories and Forza Italia, are concluded.

But even if such coalescence took place, the federalist European People's party (EPP) would then contain within it a powerful Euro-sceptical force. The Christian Democrats share with the Socialists a commitment to Europe's social and welfare policies. A strengthening of Euroscepticism would contrast with the Christian Democrats' track record as assiduous drafters of proto-constitutions for a federal Union.

As debate on the EU's jobless crisis sharpens and calls grow for labour market deregulation, and as the 1996 review approaches, the EPP could find it hard to stay together as a broad church.

The earliest set-pieces defining the new balance of power, however, will be in the carve-up of the main parliament jobs.

The presidency, until now a role hovering ineffectually between figurehead and parliamentary speaker, will assume greater importance.

The Socialists say they will almost certainly put forward a candidate. But first they must sort out their own leadership, up to now the most influential position at Strasbourg.

Mrs Pauline Green, leader of the UK Labour MEPs, now by far the largest national grouping in the assembly, is clear front-runner, in competition with the German SPD leader Klaus Hänsch. If Mr Hänsch does not win, he has a plausible claim to his group's backing for the presidency, as does Mr Jean-Pierre Cot, outgoing Socialist group chief.

One other presidential candidate, Ms Elisabeth Guigou, European affairs minister in the last French Socialist government, is an outside runner because of lack of MEP experience. Ms Guigou is also likely to suffer from the poor showing of France's Socialist list.

The fragmentaton of the French vote would make it difficult for any group to sustain a French candidacy for the top job. Hopes that French centrist Dominique Baudis, the mayor of Toulouse, might get the presidency appear to have evaporated since his UDF-RPR list lost ground.

Either of the two former Belgian Christian Democrat premiers elected, current EPP leader Leo Tindemans and Mr Wilfried Martens, could stand. However, many on both sides of the house feel parliament should look to the future rather than the past.

Once the presidency is settled, an unseemly scrap could take place for control of the four most important committees: foreign affairs (probably absorbing trade); budgets; environment; and economic and monetary affairs. The Socialists currently hold the first three and the Christian Democrats the last.

The growing influence of the committees in shaping and shepherding legislation had won them cross-party support irrespective of which group chaired them. But this bipartisan attitude could now be eroded.

Mr Ken Collins, the Scottish Labour MEP who heads the environment committee – arguably Strasbourg's single most influential body – wants to keep it. He could face challenge not only from the right but from Mr Carlo Ripa di Meana, former EU environment commissioner elected for Italy's Greens, and, according to insistent rumour, from Mrs Glenys Kinnock, wife of the former UK Labour leader, and now newly elected in Wales.

Competition for the chair of the foreign affairs/trade committee will be even fiercer if the two are amalgamated. Currently occupied by Mr Enrique Baron – former president of the parliament tipped as new head of the WEU, the Union's embryonic defence arm – the foreign affairs job conceivably could go to Mr Fernando Moran, respected former Socialist foreign minister. But the Spanish Socialists hold few cards after their hammering by both right and left on Sunday.

Mr Piet Dankert, Dutch European Affairs minister and a distinguished former parliament president, has his eye on the budgets committee. But this could be a prime target for the EPP, which because of its fragmentation is having difficulty settling on candidates.

One other important decision will be the parliament's choice of the MEP to elaborate its case for the 1996 review conference. On merit and experience, this job might go to Scottish Labour MEP David Martin, whose constitutional work prior to the Maastricht summit was widely respected and influential.

In the new, more fissiparous configuration at Strasbourg, however, the premium on consensus could give way to a more partisan struggle, for both spoils and control.


Ken Collins: wants to keep environment job


Piet Dankert: eye on budgets committee


Pauline Green: leader of largest national grouping


Elisabeth Guigou: outside candidate for presidency

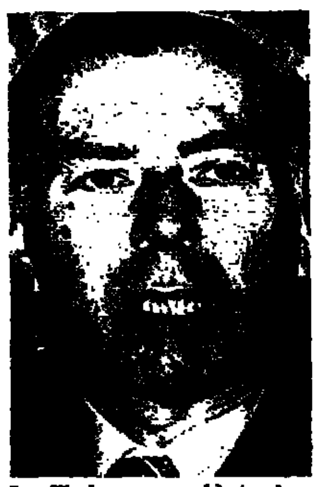

Glenys Kinnock: newly elected for Wales


Wilfried Martens: former Belgian premier elected


David Martin: respected for constitutional work


Carlo Ripa di Meana: elected for Italy's Greens


Bernard Tapie: may ally himself with Socialists


Leo Tindemans: could stand for presidency

Lobbying has gained in priority, writes **Daniel Green**

# Industries' efforts to sway Commission shift into gear

Industry's contacts with the European Parliament are for the most part a by-product of the well-oiled machinery that tries to exert an influence on the European Commission.

Commissioners are likely to remain the first stop for any industry lobbyist. But for some, the parliamentary elections have signalled that members of the European Parliament may deserve more attention than can be given in the spare time of a Brussels lobbyist.

The chemicals industry has one of the more powerful lobby organisations in Brussels, Cefic, with a full-time European Parliament liaison officer. Some countries, such as the UK since the 1989 Euro elections, have established direct links with MEPs.

The two routes to Strasbourg are useful when differences arise between national bodies and with Cefic. These are inevitable in the chemicals industry because of the different make-up of national groups: the UK group, for example, is an employers' association, whereas the German group is not.

The European textiles industry is an even more accomplished player of the Euro-lobby game. It has a European Parliament lobbying group, set up nearly four years ago by Mrs Carla Piejs, a Dutch Christian Democrat MEP. The group, including representatives from the textiles trade and unions as well as industry, has four meetings a year. These are open to specialist speakers and journalists.

It can point to the establishment of an anti-fraud unit dealing with schemes to avoid tariffs and trade quotas, and it successfully lobbied the parliament to win greater assistance for exporters of textiles and clothing.

Then there is the electronics industry, which sees the European Parliament as at best more bureaucratic entanglement, and at worst as an irrelevance.

Companies complain of a lack of initiative and focus compared with Brussels, which is seen as the centre for policy making. MEPs are not particularly visible nor easy to interest in industrial matters.

The European computing services industry provides an illustration. During the past three years, the industry has been much concerned about a software directive, ostensibly designed to curb software piracy, but with significant implications for the freedom of software developers to build new products. Few directives have seen fiercer lobbying by the opposing camps. The lobbying took place in Brussels, however, not Strasbourg. The parliament was not thought to have had much influence on or grasp of the principle at stake.

UK retailers are also sceptical and deal with European institutions through the national trade body, the British Retail Consortium (BRC). Brussels trade groups and bodies such as the European Retail Alliance, set up by Ahold of the Netherlands, France's Casino and Argyll of the UK, and EuroCommerce do their share of lobbying, but the BRC usually prefers to deal directly with MEPs, says Mr James May, its director general.

Mr May says UK retailers follow the line of the ruling UK Conservative party in not wanting more powers to go to the European parliament. "The role of the parliament is to act as a watchdog on the commission," he says.

The construction sector, too, tends to approach Brussels through national industry bodies, and national interests have a strong role in what each group presses for.

It has concentrated on lobbying the commission about the harmonisation of standards for the design and construction of buildings. It may now take a greater interest in the parliament and its committees, which can influence the legislation under preparation. The planned regulation of environmental emissions is one issue that is being watched by both construction and chemicals industry groups.

The telecommunications business is by necessity more international in its outlook than retailing and construction, where companies tend to be nationally based.

British Telecom has had a Brussels office since 1990. It is now five-strong and will soon be enlarged. Mr Peter Mackie, its director, says however that "more than 80 per cent" of its time is devoted to the European Commission.

"We have not been very active with the parliament – just on an ad hoc basis. About half of what we have done – briefings and so on – has been with British MEPs, about half with others," he said.

"We are looking to devote more time to the parliament now that co-decision is more important, but most of the decisions affecting us will still be taken in the Commission and the Council," he adds.

*Additional reporting by Jenny Luesby, Neil Buckley, Alan Cane, Andrew Taylor, and Andrew Adonis*

# Bringing the lobbyists to book

MEPs' business interests should be more transparent, writes **David Gardner**

One of the most important tasks facing the new European Parliament will be to tighten the rules on members' business and lobbying interests.

The Strasbourg assembly is already heavily lobbied by companies and industry associations trying to get European Union laws amended to protect their interests.

Slightly more than half of parliament's amendments since the Single European Act came into force in 1987 have passed into the national law of the 12 member states – a total of about 2,000 changes to what the Commission in Brussels has proposed and the Council of Ministers has disposed.

But under the Maastricht treaty the parliament has significantly greater powers to shape Euro-legislation – through "co-decision" rights which enable it to veto many directives passed by a majority in the Council of Ministers. Since the virtual completion of the single market programme, the volume of Euro-law has dropped, but the stakes for lobbyists have risen.

Yet the register of MEPs' interests shows that there are no effective standardised systems for requiring members to declare their interests, and that a significant minority of Euro-MPs are paid lobbyists for companies and sectors with a direct interest in influencing Euro-law.

As one Euro-lobbyist puts it, "I'd be quite careful about taking some of them [MEPs] out with a client, because a lot of them are quite capable of making a rival offer."

As a group, and by a long way, the most active lobbyists and holders of paid consultancies for industrial and commercial interests are British Conservative MEPs.

The new assembly has an opportunity to clear the muddy waters because it is at the start of a parliament that members are required to fill in a declaration on their professional activities and other paid functions.

The record of what they declare is kept in 15 ring-bound volumes in an obscure cubby-hole of the parliament's offices. The records travel between Brussels and Strasbourg, where parliament holds its plenaries, and occasionally Luxembourg. It can be consulted by the public under supervision, but may not be photocopied – an unnecessary safeguard since much of it is barely legible in the original.

What it reveals – using the verb loosely – is widely divergent political cultures regarding what should be declared, and what paid activities may or may not risk conflict of interest for an elected representative. A great number of the entries are blank, declare no interest, or are registered only in the mother-tongue of the MEP with no translation.

Among Continental Euro-MPs, it is common to state the former profession or occupation. Very frequently, especially in France, Italy, and Germany, under the heading other (usually paid) activities, will be listed another public office, such as mayor, town or regional councillor, senator, party functionary, or, for German Social Democrats from a trade union background, continuing membership of works councils or supervisory boards of Germany's leading companies.

Many MEPs broadcast, write for newspapers, and lecture at universities. Indeed, a good deal of intellectual grandstanding goes into some entries, particularly among some French and Spanish MEPs, who see the register as an opportunity to outline seemingly illustrious curricula vitae: contributions to this learned journal, professorship at that university, royalties from these books, and so on. Many neo-fascist MEPs seem to think "author" fully describes their activity.

The register is full of little oddities, some piquant, some conceivably attempts at humour. Mr Robert Hersant, for example, the French press baron and absentee Giscardian MEP, lists himself professionally as a newspaper publisher and TV station proprietor, but records zero income aside from his Euro-MP's salary.

Mr José Maria-Ruiz Mateos, the entrepreneur who accounted for nearly 3 per cent of Spanish national output until his failing Rumasa group was expropriated in the early 1980s, is apparently a businessman without an income.

Mr Jens-Peter Bonde, the Danish scourge of Maastricht who appears as an accredited journalist at EU summits to bash Europe, describes himself as "Editor (unpaid)".

Two Italian Socialists, members of a party imploded by Italy's corruption scandals, register their interests solely via a question mark.

British Labour MEPs ostentatiously list all their "freebies", or study trips paid for by governments and outside organisations, with more than a touch of righteous pedantry.

The longest single entry is from Mr Bryan Cassidy, a Conservative MEP, and indeed he and his 31 Tory colleagues in the last parliament provide most of the register's meat. This could certainly be because of higher standards of disclosure. But parliament officials, Tory officials, and lobbyists all confirm that the Conservative MEPs are the most active in paid activity on behalf of industry.

Only two former right-wing Spanish ministers – Eduardo Punset and Fernando Suarez – and an eccentric Dutch Christian Democrat, James Janssen Van Raay, who all sit on the boards of large companies such as Bull and Nestlé, come near to rivalling them.

Mr Cassidy has four consultancies, including Union Carbide and Rowland Public Affairs. Mrs Caroline Jackson consults for Mars, the Brewers Society and Market Access International, and sits on the board of Peugeot/Talbot UK. She, and others of her colleagues, are on record as saying that proximity to industry is valuable in weeding out parts of laws that could needlessly damage business.

But a significant number of Tory MEPs own, or are partners in, their own PR, lobbying, or public affairs consultancies, including Tom Spencer, Edward McMillan-Scott, James Moorhouse, and Christopher Jackson.

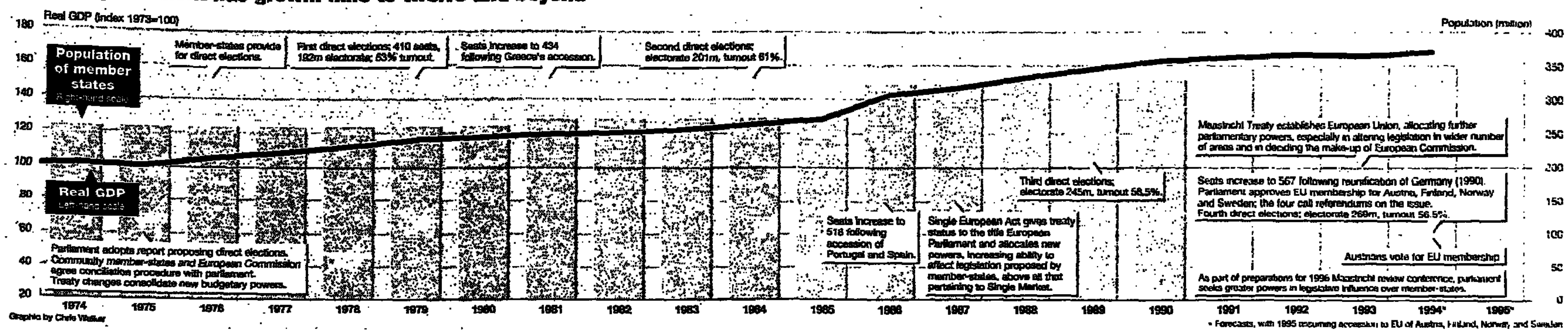
However, it has generally been British MEPs, including the Tory Bill Newton-Dunn, who have striven for tougher rules on disclosure. UK Labour MEPs, who have become the largest national unit at Strasbourg, have, as a group, not given the issue the priority that might have been expected.

From July, however, there is likely to be a groundswell in favour of full disclosure, and the requirement on MEPs to declare an interest if they have links to a company affected by the legislation they are dealing with, particularly when it is at the crucial committee stage where most amending gets done.

One leading lobbyist of the parliament says that "I've only ever heard a member declare an interest in committee twice" – not a record a parliament with Strasbourg's new powers can any longer afford.

# European Elections

**How the parliament has grown: nine to twelve and beyond**




Graphic by Chris Walker

* Forecasts, with 1995 assuming accession to EU of Austria, Finland, Norway, and Sweden

SPAIN

## Right avenges domestic defeat

By David White in Madrid

Spain's political landscape has changed with the European election results. After almost 12 years in power, Mr Felipe González's Socialists have lost their position as the country's leading party.

Hit by economic discontent, still rife despite signs that the country is pulling out of recession, and by a series of acutely embarrassing corruption affairs involving former senior officials, the party has slumped to barely 30 per cent of the vote, its level when it was in opposition 15 years ago.

Mr González said he would consider putting his government to the test in a confidence motion – which it would have to win or face a snap general election.

The jubilant street party in Madrid on Sunday night for the conservatives of the Popular party marked revenge after a frustrating failure in general elections a year ago. It was the PP's first victory at national level. Breaking through the 40 per cent mark, it also shattered a psychological barrier – the stigma attached to the right in post-Franco Spain.

The PP gained from the demise of the centrists loyal to former prime minister Mr Adolfo Suárez, who lost all five of their European parliament seats.

The Socialists' record as the party that took Spain into the EU clearly counted for little. Insofar as European issues had any influence, the PP appears to have scored more through its criticism of the way Spanish interests have been managed in Europe.

But even if it translated Sunday's results into a national election victory, the PP would still, like the Socialists, need to look for support from regionalist groups, with the prospect of a potentially unstable relationship.

For Mr Jordi Pujol, the Catalan nationalist leader, his policy of providing parliamentary support to keep the Socialists in power appears so far to have paid off. Far from losing votes to the PP, his party headed the ballot in Catalonia, the first time it has done so in a national election.

The Socialists took second place to the main regionalist parties in both Catalonia and the Basque country, although in the second case by a narrow margin over the PP.

Elsewhere they lost in every region except Extremadura and Andalucia – including former strongholds such as Valencia, Murcia, Castile-La Mancha and the mining area of Asturias.

In Andalucia, where regional elections were held at the same time, they lost their majority in the regional parliament and now have little choice there but to rely on support from the Communist-led United Left.

In both election contests, it was the United Left that scored proportionately the biggest gains. Socialist hardliners who want to push party policy back towards the left will see the loss of votes to the United Left as reinforcing their arguments.

**MEPs**

■ **PSOE**
Fernando Moran Lopez, Francisca Sauquillo Perez del Arco, Enrique Baron Crespo, Ludivina Garcia Arias, Josep Verde i Aldea, Ana Clara Maria Miranda de Lage, Pedro Aparicio Sanchez, Jose Maria Mendiluce Pereiro, Manuel Medina Ortega, Maria Izquierdo Rojo, Josep Enrique Pons Grau, Joan Colom i Naval, Juan Luis Cofino Salamanca, Carmen Diez de Rivera Icaza, Juan de Dios Izquierdo Colado, Jesus Cabezon Alonso, Barbara Duhrkop Duhrkop, Antonio Gonzalez Triviño, Francisco Javier Sanz Fernandez, Manuela de Frutos Gama, Fernando Perez Royo, Ana Terron i Cusi

■ **CiU**
Carles Alfred Gasoliba i Bohm, Concepcio Ferrer i Casals, Joan Maria Valive i Rivera

■ **PP**
Abel Matutes Juan, Celia Villalobos Talero, Mercedes de la Merced Monge, Jose Maria Gil-Robles Gil-Delgado, Miguel Arias Cañete, Maria Teresa Estevan Bolea, Jose Manuel Garcia-Margallo Marfil, Maria Carmen Fraga Estevez, Luis Campoy Zueco, Ana Isabel Palacio Vallelersundi, Carlos Robles Picquer, Juan Manuel Fabra Valles, Gerardo Fernandez Albor, Fernando Fernandez Martin, Jaime Valdivieso de Cue, Encarnacion Redondo Jimenez, Iñigo Mendez de Vigo, Javier Areitio Toledo, Joaquin Siso Cruellas, Laura Elena Esteban Martin, Daniel Luis Varela Suanzes-Carpegna, Jose Gerardo Galeote Quecede, Jose Ignacio Salafranca Sanchez-Neyra, Jose Antonio Escudero Lopez, Francisca Bennasar Tous, Jose Luis Valverde Lopez, Salvador Garriga Polledo, Julio Añoveras Trias de Bes

■ **IU**
Alonso Puerta Gutierrez, Antoni Gutierrez Diaz, Laura Gonzalez Alvarez, Maria Somosa Martinez, Maria Jesus Aramburu del Rio, Salvador Jose Peres, Carlos Carnero Gonzalez, Angela del Carmen Sierra Gonzalez, Pedro Marset Campos

■ **CN**
Josu Jon Imaz San Miguel, Isidoro Sanchez Garcia

*Based on preliminary results issued by the European Parliament. Full results will not be known for several weeks.*

*Population:* 39.1m
*Seats:* 64

**Results (Turnout 59.6%; 1989, 54.8%)**

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| PP | EPP | 40.2 | 21.7 | 28 | 15 |
| PSOE | PES | 30.6 | 40.2 | 22 | 27 |
| IU | NA | 13.4 | 6.2 | 9 | 4 |
| CiU | EPP/LDR | 4.6 | 4.3 | 3 | 2 |
| CN | EPP/RBW | 2.8 | 1.9 | 2 | 1 |
| PEP | RBW | 1.2 | 1.5 | 0 | 1 |
| CDS | LDR | 0.9 | 7.2 | 0 | 5 |
| HB | NA | 0.9 | 1.7 | 0 | 1 |
| IP | Greens | - | 1.9 | - | 1 |
| Capa | RBW | 0.7 | 1.9 | 0 | 1 |
| Mateos | NA | 0.4 | 3.9 | 0 | 2 |

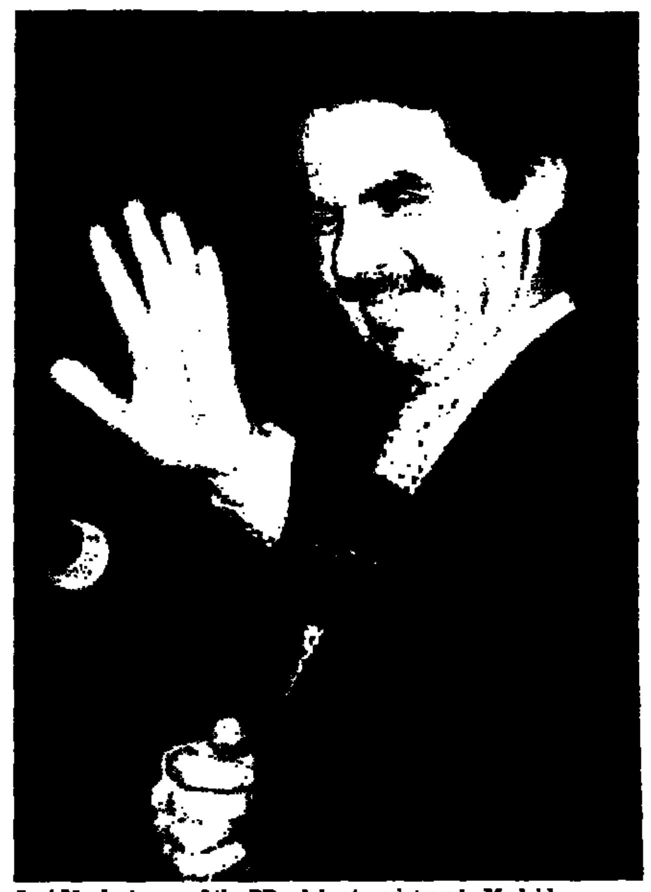
Source: Ministry of Interior

*Abbreviations: Capa=Andalucian; CDS=Democrat and Social Centre; HB=Herri Batasuna; CiU=Convergence and Union; CN=Nationalist Coalition; IP=Regional Left party; IU=United Left; Mateos=Supporters of Ruiz Mateos; PEP=European People's Coalition; PP=Popular Party; PSOE=Socialist Workers' party;

Parliamentary group abbreviations: see bottom front page this section

■ **Electoral system:**

Proportional from national lists
Compulsory voting: ........ No



José Maria Aznar of the PP celebrates victory in Madrid

UNITED KINGDOM

## Major mauled by Labour surge

By Philip Stephens, Political Editor

Mr John Major's government received a predictable mauling at the hands of an angry and disillusioned electorate. Britain's opposition Labour party, still choosing a new leader after the death last month of John Smith, did better than in any election for 30 years. The outcome of the poll for the European Parliament has left Britain's longer-term attitude to the European Union as uncertain as ever.

Mainland Britain will send 62 Labour, 18 Conservative, two Liberal Democrat and two Scottish Nationalists MEPs to Strasbourg next month. Northern Ireland, the only part of UK to use a proportional voting system, will send two, representing the mainly-protestant Unionist community and one from the Catholic Social Democratic and Labour Party.

But it is the government – and the warring factions in the ruling Conservative party – which will continue to dictate the country's attitude to European integration in the run-up to the 1996 intergovernmental conference. And the Euro-sceptic tone which characterised the Conservative campaign seems to have won Mr Major votes.

As in many other countries in the EU, the story of the elections in Britain was one of competing cross-currents and obvious contradictions. As the final votes were counted, Labour and the Liberal Democrats claimed the electorate had endorsed their, more positive, vision of Europe's future.

But only around 35 per cent of those eligible chose to vote. Also, the opposition parties mounted campaigns against the government's domestic policies – against tax increases, public spending cuts and such like – rather than ones exalting the virtues of Europe.

Mr Major focused on Europe: the central planks of his campaign were a vision of a multi-speed Union in which Britain might opt out of further integration, preservation of the national veto and scepticism about a single currency. The anecdotal evidence suggests that while the electorate was determined to punish the government, it preferred its message on Europe.

So the immediate mood within the government was one of a curious sense of relief.

The Conservatives recorded their worst performance on record – the party has never before received less than 30 per cent of the vote in a national poll – but it was not quite as catastrophic as feared.

Mr Major, who would have faced intense pressure to resign as prime minister had that number dropped into single figures, now looks secure at least until the autumn. He plans within a few weeks to reshape his government with a big reshuffle of cabinet portfolios. The long summer parliamentary recess will then offer him a respite from the constant carping about his leadership on the Tory backbenches.

But the respite will be temporary. Labour, which won 45 per cent of the vote against the Conservatives 28 per cent, made the electoral breakthrough in affluent southern England which has so long eluded it. The next general election is at least two years off but the government is now more threatened than any time since the then Margaret Thatcher entered 10 Downing Street in 1979.

Mr Major's party is still deeply divided also over Europe, Even before all the votes had been counted, the irreconciliable sceptics among Tory MPs at Westminster were calling for a still more nationalist stance. They want the prime minister to veto at the Corfu summit next week the appointment of Mr Jean-Luc Dehaene as the next president of the European Commission. But their demands were matched by equally strident calls from the mainstream centre-left of the party for the government to abandon its appeasement of the sceptics.

*Population:* 58.0m
*Seats:* 87

**Results (Turnout 36.4%; 1989, 36.2%)**

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| Lab | PES | 44.2 | 40.1 | 62 | 45 |
| Con | EPP | 27.8 | 34.1 | 18 | 32 |
| LD | LDR | 16.7 | - | 2 | - |
| SNP | RBW | 3.2 | 2.7 | 2 | 1 |
| SDLP | PES | - | 0.9 | 1 | 1 |
| OUP | EPP | - | 0.8 | 1 | 1 |
| DUP | NA | - | 1.0 | 1 | 1 |

Source: BBC

*Abbreviations: Con=Conservatives; DUP=Democratic Ulster Unionists; Lab=Labour; LD=Liberal Democrats; OUP=Official Ulster Unionist; SDLP=Social Democrat and Labour party; SNP=Scottish Nationalist party

Parliamentary group abbreviations: see bottom front page this section

■ **Electoral system:**
First-past-post in GB; single transferable vote in N. Ireland
Compulsory voting: ........ No

**MEPs**

**Bedfordshire & Milton Keynes**
Eryl McNally (Lab)
**Birmingham East**
Ms Christine Crawley (Lab)
**Birmingham West**
John Tomlinson (Lab Co-op)
**Bristol**
Ian White (Lab)
**Buckinghamshire & Oxfordshire East**
James Elles (C)
**Cambridgeshire**
Robert Sturdy (C)
**Cheshire East**
Brian Simpson (Lab)
**Cheshire West & Wirral**
Lyndon Harrison (Lab)
**Cleveland & Richmond**
Dave Bowe (Lab)
**Cornwall & Plymouth West**
Robin Teverson (LD)
**Cotswolds**
Lord Plumb (C)
**Coventry & Warwickshire North**
Ms Christine Oddy (Lab)
**Cumbria & Lancashire North**
Tony Cunningham (Lab)
**Devon & Plymouth East Giles**
Giles Chichester (C)
**Dorset & Devon East**
Bryan Cassidy (C)
**Durham**
Stephen Hughes (Lab)
**Essex North & Suffolk South**
Miss Anne McIntosh (C)
**Essex South**
Richard Howitt (Lab)
**Essex West & Hertfordshire East**
Hugh Kerr (Lab)
**Glasgow**
Bill Miller (Lab)
**Greater Manchester Central**
Edward Newman (Lab)
**Greater Manchester East**
Glyn Ford (Lab)
**Greater Manchester West**
Gary Titley (Lab)
**Hampshire North & Oxford**
Graham Mather (C)
**Herefordshire & Shropshire**
David Hallam (Lab)
**Hertfordshire**
Dr Peter Truscott (Lab)
**Highlands & Islands**
Dr Winnie Ewing (SNP)
**Humberside**
Peter Crampton (Lab)
**Itchen Test & Avon**
Edward Kellett-Bowman (C)
**Kent East**
Mark Watts (Lab)
**Kent West**
Peter Skinner (Lab)
**Lancashire Central**
Mark Hendrick (Lab Co-op)
**Lancashire South**
Michael Hindley (Lab)
**Leeds**
Michael McGowan (Lab)
**Leicester**
Ms Sue Waddington (Lab)
**Lincolnshire & Humberside South**
Mrs Veronica Hardstaff (Lab)
**London Central**
Stan Newens (Lab Co-op)
**London East**
Ms Carole Tongue (Lab)
**London North East**
Alf Lomas (Lab)
**London North West**
Robert Evans (Lab)
**London North**
Mrs Pauline Green (Lab Co-op)
**London South & Surrey East**
James Moorhouse (C)
**London South East**
Shaun Spiers (Lab Co-op)
**London South Inner**
Richard Balfe (Lab Co-op)
**London South West**
Ms Anita Pollack (Lab)
**London West**
Michael Elliott (Lab)
**Lothians**
David Martin (Lab)
**Merseyside East & Wigan**
Terence Wynn (Lab)
**Merseyside West**
Ken Stewart (Lab)
**Midlands West**
Simon Murphy (Lab)
**Norfolk**
Clive Needle (Lab)
**Northamptonshire & Blaby**
Mrs Angela Billingham (Lab)
**Northern Ireland**
The Rev Ian Paisley (DUP)
John Hume (SDLP)
James Nicholson (UUUP)
**Northumbria**
Dr Gordon Adam (Lab)
**Nottingham & Leicestershire North West**
Ms Mel Read (Lab)
**Nottinghamshire North & Chesterfield**
Ken Coates (Lab)
**Peak District**
Ms Arlene McCarthy (Lab)
**Scotland Mid & Fife**
Alex Falconer (Lab)
**Scotland North East**
Dr Allan Macartney (SNP)
**Scotland South**
Alex Smith (Lab)
**Sheffield**
Roger Barton (Lab)
**Somerset & Devon North**
Graham Watson (LD)
**South Downs West**
James Provan (C)
**South Wales Central**
Wayne David (Lab)
**South Wales East**
Mrs Glenys Kinnock (Lab)
**South Wales West**
David Morris (Lab)
**Staffordshire East & Derby**
Phillip Whitehead (Lab)
**Staffordshire West & Congleton**
Michael Tappin (Lab)
**Strathclyde East**
Kenneth Collins (Lab)
**Strathclyde West**
Hugh McMahon (Lab)
**Suffolk & Norfolk South West**
David Thomas (Lab)
**Surrey**
Tom Spencer (C)
**Sussex East & Kent South**
Sir Jack Stewart-Clark (C)
**Sussex South & Crawley**
Brendan Donelly (C)
**Thames Valley**
John Stevens (C)
**Tyne & Wear**
Alan Donnelly (Lab)
**Wales Mid & West**
Ms Eluned Morgan (Lab)
**Wales North**
Joe Wilson (Lab)
**Wight & Hampshire**
South Roy Perry (C)
**Wiltshire North & Bath**
Dr Caroline Jackson (C)
**Worcestershire & Warwickshire South**
John Corrie (C)
**Yorkshire North**
Edward McMillan-Scott (C)
**Yorkshire South West**
Tom Megahy (Lab)
**Yorkshire South**
Norman West (Lab)
**Yorkshire West**
Dr Barry Seal (Lab)

LUXEMBOURG

## Voters keep faith in ruling coalition

By Emma Tucker in Brussels

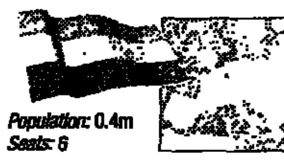
European elections coincided with national legislative polls in the grand Duchy of Luxembourg. Its 225,000 voters showed their faith in the ruling coalition of Christian Socialist and Socialist parties which has been in power since 1984, by returning them virtually intact.

Mr Jacques Santer, the prime minister and leader of the Christian Socialists, lost one seat to take 21 of the total seats of 60. The Socialists lost one seat to win 17.

Mr Santer is expected once again to choose the Socialists as partners in government. The main opposition party – the liberal Democratic party – gained one more seat to take a total of 12.

For the Strasbourg elections, Mr Santer's party lost one seat to hold only two of Luxembourg's generous allocation of six. This seat passed for the first time to the Greens, whose leader, Mr Jup Weber, burst into tears.

The win came as a genuine surprise to the Luxembourgois who had been expecting the Greens to follow trends elsewhere in Europe and lose ground. But Mr Weber appears to have benefited from concerns over the opening of an industrial waste plant on the Belgian border and the extensive construction of motorways across the country.



*Population:* 0.4m
*Seats:* 6

**Results (Turnout 90.0%; 1989, 87.4%)**

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| CSV | EPP | 31.4 | 34.9 | 2 | 3 |
| LSAP | PES | 24.8 | 25.4 | 2 | 2 |
| DP | LDR | 18.8 | 20.0 | 1 | 1 |
| Greens | Greens | 18.8 | - | 1 | - |

Source: AFP estimates at 02.00 GMT yesterday

*Abbreviations: CSV=Christian Social People's party; DP=Democratic party; LSAP=Socialist Workers' party

Parliamentary group abbreviations: see bottom front page this section

■ **Electoral system:**

Proportional from national lists
Compulsory voting: ........ Yes

**MEPs**

■ **LSAP**
Jacques Poos, Mady Delvaux-Stehres

■ **DP**
Lydie Wurth Poller

■ **CSV**
Jean-Claude Juncker, Jacques Santer

■ **Greens**
Jup Weber



IRISH REPUBLIC

## Poll ends coalition's honeymoon

By Tim Coone in Dublin

The Fianna Fail-Labour coalition in Ireland emerged from the European Parliament elections with its representation at Strasbourg intact.

Fianna Fail, the centre-right party of prime minister Mr Albert Reynolds, secured seven of the 15 Irish seats, one better than in 1989, while Labour managed to retain its Dublin seat but only after a nail-biting series of counts on the vote transfers which almost saw the seat lost to Fine Gael, the main opposition party.

The nationwide drop in vote share for both coalition parties – but particularly for Labour – has signalled that the 18-month honeymoon with the electorate is over. Fianna Fail's vote has fallen from 39 per cent in the 1992 general elections to 35 per cent, while Labour's vote has plunged over the same period to 11 per cent, albeit from an all-time high in 1992 of 19.5 per cent.

The emergence of the Green party, which won a seat in Dublin, has highlighted the government's inaction on key environmental issues. These include the recent commissioning of the UK's Thorp nuclear reprocessing facility on the opposite side of the Irish Sea, plans to push ahead with a peat-fired power station in the Irish midlands, and procrastination over the building of a new light rail system in Dublin to ease traffic congestion.

The Greens have a weak organisation nationally, however, and still have some way to go before they pose a serious threat in national politics.

The collapse of Fianna Fail's vote in Dublin, from 33 per cent in 1992 to 21 per cent now, appears to stem in part from an unpopular residential property tax introduced in the last budget. Canvassers said this was a common complaint of householders during the campaign. It must raise questions over the coalition's resolve to press ahead with its plans for a much-needed reform of the tax system.

This and other tensions within the coalition are likely to be aggravated in the months ahead, as Labour absorbs the lessons of this election and tries to regain the popularity it achieved as an assertive opposition party before entering the coalition.

The danger is that any fault-lines that appear within the coalition are likely to be quickly exploited by Fine Gael, which has been buoyed by its relative success in stabilising its vote at 24 per cent nationally, after successive poll humiliations.

The other main opposition party, the Progressive Democrats (PDs), polled only 6.5 per cent and look set to lose their Munster MEP to an independent. In the local elections, Sinn Féin, the political wing of the IRA, has won more council seats nationally than the PDs.

**MEPs**

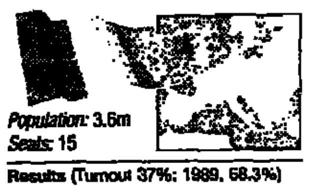
■ **Dublin**
**Niall Andrews**, Fianna Fail.
**Mary Banotti**, Fine Gael.
**Bernie Malone**, Labour.
**Patricia McKenna** Green Party

■ **Leinster***
**Jack Fitzsimmons**, Fianna Fail.
**Nuala Ahern**, Green
**Liam Hyland**, Fianna Fail
**Alan Gillis**, Fine Gael
*Subject to a recount

■ **Munster**
**Gerry Collins**, Fianna Fail
**Brian Crowley**, Fianna Fail
**John Cushnahan**, Fine Gael
**Des O'Malley**, Progressive Democrats

■ **Connacht/Ulster**
**Pat the Cope Gallagher**, Fianna Fail
**Mark Killilea**, Fianna Fail.
**Joe McCartin**, Fine Gael.

*Based on preliminary results issued by the European Parliament. Full results will not be known for several weeks.*



*Population:* 3.6m
*Seats:* 15

**Results (Turnout 37%; 1989, 68.3%)**

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| FF | EDA | | 31.5 | 7 | 6 |
| FG | EPP | | 21.6 | 4 | 4 |
| Greens | Greens | | - | 2 | - |
| Labour | PES | | 9.5 | 1 | 1 |
| PD | LDR | | 12.0 | 1 | 1 |
| DL | NA | | 7.5 | 0 | 1 |
| Ind. | RBW | | 3.3 | 0 | 1 |
| IL | LDR | - | 3.5 | - | 1 |

Source: State radio and television estimates

*Abbreviations: DL=Democratic Left; FG=Fine Gael; FF=Fianna Fail; IL=Independent Liberal; Ind=Independent; PD=Progressive Democrats

Parliamentary group abbreviations: see bottom front page this section

■ **Electoral system:**
Proportional with single transferable vote
Compulsory voting: ........ No

# European Elections

**Le Monde**

On one optimistic reading, these elections have been good for Europe... solidly pro-European lists have, except for Italy, been reinforced. Chancellor Kohl, to whom Europe already owes much, has held firm, while in France the "pro" vote has far outweighed the "anti" vote.

But there is another more pessimistic interpretation. The new Strasbourg parliament will be less "European". The level of participation in Europe shows the rise of indifference towards the Union, and only improves when domestic politics are most at stake – as in the desire for a change in government in Britain, Spain, a political honeymoon period in Italy, improvement in the German economy.

France showed itself on June 12 to be fragile, uncertain, disoriented, and fragmented. It is being pulled apart by "populisms". An extreme right-wing xenophobic nationalism continues to hang over it.

**de Volkskrant**

Austria's "yes" to Europe would appear to run counter to the lukewarm and dull elections campaigns for the European Parliament held in those countries that are already members of the European Union. Still, this contradiction is largely illusory. The Union may have its flaws, but it is indisputably a zone of peace, stability and prosperity. This, combined with the large common market, exerts a strong attractive pull on European countries outside the EU.

Within the member states themselves, these achievements are taken for granted. The main parties do not differ fundamentally on the usefulness of European co-operation.

...These elections have hardly increased the legitimacy of the European Parliament... The EU states must allow the formation of European parties and make the Europarliament a full-fledged representative body.

**LE SOIR**

Brussels and Wallonia must, from now on, live with an extreme right like that which Flanders and France has already suffered for several years. We thought that we would be preserved from this peril. Now it hits us with full force... These extremist tendencies cannot be eradicated in a few years. They are the result of an entrenched malaise that demands long-term work from the democratic parties... The vote for the extreme right is a cry from people who once believed in the remedies put forward by the Socialist party but who have been disappointed by the scandals that have cast opprobrium on the ruling parties. These voters, often in immigrant neighbourhoods, see "others" as the scapegoat. The democratic parties must not sit back and comfort themselves simply by denouncing the real danger of the extreme right. They have to act by tackling the roots of the rot.

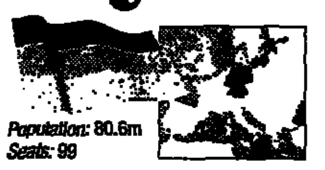
**Frankfurter Allgemeine**
ZEITUNG FÜR DEUTSCHLAND

The concern expressed that only national issues have been at stake in the European elections may be well-meant, but it is hardly politically thought out. The problem with the direct election to the European parliament is now, as it always has been, that the voters don't know what they are voting for. There is none of the normal confrontation between "government or opposition"... Voters who are only roughly informed about the circumstances in other member states can hardly be expected to calculate the consequences of their votes. The Germans send a good 15 per cent of European members of parliament to Strasbourg; even if there were a massive level of support for one party, it would have only a modest effect on building a majority in the parliament – that is both unavoidable and logical. But it is also clear that it depresses the election turnout.

GERMANY

## Victory sweet for Kohl

By Quentin Peel in Bonn



*Population:* 80.6m
*Seats:* 99

Results (Turnout 58.0%; 1989, 62.3%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| SPD | PES | 32.2 | 37.3 | 40 | 31 |
| CDU | EPP | 32.0 | 29.5 | 39 | 25 |
| Greens | Greens | 10.1 | 8.4 | 12 | 8 |
| CSU | EPP | 6.8 | 8.2 | 8 | 7 |
| FDP | LDR | 4.1 | 5.6 | 0 | 4 |
| Rep | NA | 3.9 | 7.1 | 0 | 6 |

Source: Chief electoral officer

*Abbreviations: SPD=Social Democrats; CDU=Christian Democratic Union; CSU=Christian Social Union; FDP=Free Democrats; Rep=Republicans

Parliamentary group abbreviations: see bottom front page this section

■ Electoral system:
Proportional from regional lists
Compulsory voting: .................... No

Chancellor Helmut Kohl could not disguise his glee, nor wipe the smile from his face, when he appeared on German television close to midnight on Sunday.

His Christian Democratic Union had confounded the opinion polls and the pundits, and emerged from the European elections stronger than in 1989. The party saw an increase of 2.5 percentage points in its support, in spite of a sharp economic recession and record unemployment levels in both halves of the country.

He saw it, justifiably, as vindication for his absolute self-confidence, and a refusal to bow to apparent unpopularity in the polls. In particular, he forced his party to fight the campaign on a platform of firm commitment to European integration, in spite of signs that the policy could be unpopular.

Mr Rudolf Scharping, leader of the Social Democratic party (SPD) and his challenger for the chancellorship next October, looked bemused: his party, only four weeks ago enjoying a clear lead in public favour, had lost more than 5 percentage points, and recorded its worst result in a European election since they began in 1979.

The expectations had been for a strong protest vote and a low turnout. Everyone cautioned against reading too much into the result to predict what will happen in October. But the protest turned out to be against the main party of opposition, and the turnout was respectable at nearly 60 per cent.

It was a day of unlikely bedfellows: a good day for Mr Kohl and for the Greens, who also improved their 1989 showing by a couple of percentage points. Mr Kohl's Bavarian allies, the Christian Social Union (CSU), lost a little support, but still emerged handsome victors in their home state – with easily enough backing to win seats in the parliament. And the Party of Democratic Socialism, the former East German communist party, almost made it to Strasbourg, thanks to a strong vote in the five eastern Länder.

On the other hand, it was not only a severe setback for Mr Scharping and his party.

It was a bad day for Mr Kohl's junior partners in the coalition, the Free Democratic party (FDP), which failed to get the 5 per cent support necessary for seats in parliament.

It was also a bad day for the far-right Republicans, down from 7.1 per cent in 1989 to 3.9 per cent.

Last of all it was a bad day for the anti-Maastricht campaigners, such as Mr Manfred Brunner's Free Citizens' Alliance, which just managed 1.1 per cent support.

On the whole, the German electorate was conservative with a small c, sticking to the devils they knew: Mr Kohl in the west, the CSU in Bavaria, and the old communists in the east, along with the CDU.

In spite of the surprising changes, the outlook for October remains too close to call. On each side of the political divide, neither combined left nor combined right can command a clear coalition majority on the basis of these figures.

The FDP, on past experience, must be expected to squeak back over the 5 per cent hurdle for the national election in October. The PDS can be expected to do the same. The Republicans, for the time being, appear to be finished. If neither the SPD nor the CDU can break out of support at around one-third of the electorate, they may be condemned to form a grand coalition.

Kohl speaks to supporters after the counting of votes: self-confidence vindicated *Reuter*

### MEPs

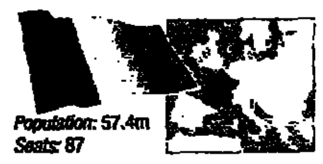
■ SPD
Klaus Hänsch, Magdalene Hoff, Gerhard Schmid, Erika Mann, Wilfried Kuckelkorn, Heinke Salisch, Willi Görlach, Constanze Krehl, Willi Rothley, Dagmar Roth-Behrendt, Mechthild Rothe, Wilhelm Piecyk, Lissy Gröner, Norbert Glante, Günter Lüttge, Christa Randzio-Plath, Ulrich Stockmann, Gerhard Botz, Peter Helwin, Karin Jöns, Heinz Kindermann, Bernhard Rapkay, Karin Junker, Rolf Linkohr, Barbara Weiler, Helmut Kuhne, Jannis Sakellariou, Bernd Lange, Ralf Walter, Barbara Schmidbauer, Martin Schulz, Detlev Samland, Rosemarie Wemheuer, Evelyne Gebhardt, Jutta Haug, Maria Zimmerman, Annemarie Kuhn, Axel Schäfer, Klaus Rehder, Christof Tannert
■ CDU-CSU
Reimer Böge, Georg Jarzembowski, Hans-Gert Pöttering, Godelieve Quisthoudt-Rowohl, Karsten Hoppenstedt, Brigitte Langenhagen, Hedwig Keppelhoff-Wiechert, Günter Rinsche, Elmar Brok, Karl-Heinz Florenz, Marlene Lenz, Hans-Peter Liese, Kurt Malangre, Klaus-Heiner Lehne, Christoph Konrad, Peter-Michael Mombaur, Hartmut Nassauer, Marlies Mosiek-Urbahn, Thomas Mann, Werner Josef Langen, Otto Bardong, Christa Barbara Klass, Siegbert Alber, Diemut Theato, Karl von Wogau, Honor Funk, Winfried Josef Menrad, Konrad Karl Schwaiger, Renate Heinisch, Doris Pack, Peter Kittelmann, Anne Karin Glase, Alfred Gomolka, Jürgen Schröder, Lutz Goepel, Stanislav Tillich, Kurt Oswald Horst Schnellhardt, Rolf Berend, Dieter-Lebrecht Koch
■ FDP
Uta Würfel, Mechthild von Alemann, Manfred Vohar, Stefanie Wolf, Klaus Wettig, Georgios Chatzimarkakis, Annette Sievers, Ute Georgi, Karl Partsch, Martin Holzfuss, Gisela Zeidler, Wilfried Hofmann
■ Green
Claudia Roth, Wolfgang Ullmann, Hiltrud Breyer, Friedrich Otto Wolf, Elisabeth Schroedter, Friedrich-Wilhelm Graefe zu Baringdorf, Undine Bloch von Blottnitz, Daniel Marc Cohn-Bendit, Wolfgang Kreissl-Dörfler, Irene Soltwedel-Schäfer, Wilfried Telkämper, Edith Müller
■ CSU
Ingo Friedrich, Ursula Schleicher, Otto Habsburg-Lothringen, Günther Maren, Xaver Mayer, Markus Ferber, Edgar Schiedermeier, Bernd Posselt

*Based on preliminary results issued by the European Parliament. Full results will not be known for several weeks.*

FRANCE

## Bad omens for presidential polls

By David Buchan in Paris



*Population:* 57.4m
*Seats:* 87

Results (Turnout 53.5%; 1989, 48.7%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| UDF/RPR | EPP/LDR | 25.5 | 28.9 | 29 | 26 |
| PS | PES | 14.5 | 23.6 | 16 | 22 |
| AN | NA** | 12.3 | - | 13 | - |
| RE | NA** | 12.0 | - | 13 | - |
| FN | ER | 10.5 | 11.7 | 10 | 10 |
| PCF | LU | 6.9 | 7.7 | 6 | 7 |
| Greens | Greens | 2.9 | 10.6 | 0 | 9 |
| Centre | EPP/LDR | - | 8.4 | - | 7 |

Source: Ministry of Interior estimates
*Abbreviations: AN=Other Europe group; Centre=Centre party - Veil list of UDF; FN=Front National; PCF=Communists; PS=Socialists; RE=Radical Energy group; UDF/RPR=Giscardian list of conservatives and Rally for the Republic
** Expected to join the PES grouping; for group abbreviations: see bottom front page this section

■ Electoral system:
Proportional from national lists
Compulsory voting: .................... No

France's Euro-election results were yesterday being read mainly for what they portend for next May's presidential election, the ultimate prize in French politics.

The omens are worst for Mr Michel Rocard who led his Socialist party to its lowest vote score (14.5 per cent) since the early 1970s. This has reawakened interest in the candidacy of Mr Jacques Delors as the only plausible alternative Socialist standard-bearer for the Elysée. The European Commission president said yesterday he was still "absolutely" loyal to Mr Rocard, and there is no reason to disbelieve him. But the fact that this loyalty cannot be proved until December – when Mr Delors leaves his Brussels post – gives Mr Rocard a difficult six months to come.

However, Sunday's vote also threatens to prise the centre-right apart. The official Euro-list of the governing UDF-RPR coalition gained only 25.5 per cent of the vote. This poor performance led some senior conservatives yesterday to question both the wisdom and necessity of trying to field a single UDF-RPR candidate for the presidency.

This questioning bodes ill for Prime Minister Edouard Balladur, whose presidential hopes rest very much on his supposedly consensual appeal to both coalition parties, but well for Mr Jacques Chirac, who has the firm launchpad of his RPR party machine and may soon use it to put his Elysée campaign into orbit. If Mr Chirac does this and Mr Balladur, who is of the same RPR Gaullist party, continues to sit on his hands, then one or several presidential candidates from the UDF may emerge.

But by the time the final round in the presidential election comes around next May, the race will probably be down to two runners, wearing the colours of right and left. Under these circumstances, even Mr Rocard's losing presidential score would not be less than 44-46 per cent (depending on his right-wing rival), according to opinion polls conducted over the weekend. These provided a forceful contrast to the fragmentation of Sunday's Euro-vote, resulting from the proportional system which France uses only in Euro-elections.

The two big surprise splinters emerging out of this fragmentation were the lists of "Energie Radicale", led by Mr Bernard Tapie, and of "l'Autre Europe", led by Mr Philippe de Villiers. Both scored around 12 per cent, giving them 13 seats each in Strasbourg. Neither, however, can be regarded as a serious presidential candidate, at least not yet.

Mr Tapie has far more pressing business to pursue than a distant dream of the Elysée. Election to Strasbourg may provide him with additional parliamentary immunity from investigations into his companies and properties.

What the controversial Mr Tapie has done is to take over the small Mouvement des Radicaux de Gauche (MRG) party, without changing its traditional pro-Socialist orientation, to boost its support with his personal charisma. Having him as an ally is therefore more of a judicial problem than an ideological challenge to the Socialists. To the extent that Mr Tapie is still out of court then, his support can probably be safely added to that of the Socialist party proper next May.

By contrast, Mr de Villiers's anti-Maastricht appeal is a serious ideological test to the centre-right's unity.

### MEPs

■ UDF-RPR Union
Dominique Baudis, Hélène Carrère d'Encausse, Yves Galland, Christian Jacob, Jean-Pierre Raffarin, Armelle Guinebertière, Nicole Fontaine, Alain Pompidou, Yves Verwaerde, Marie-Thérèse Hermange, Jean-Louis Bourlanges, Jacques Donnay, Françoise Grossetête, Blaise Aldo, Robert Hersant, Anne-Marie Schaffner, Francis Decourrière, Christian Cabrol, Bernard Stasi, Jean-Claude Pasty, André Soulier, Jean-Pierre Bazin, Pierre Bernard-Reymond, Raymond Chesa, Georges de Brémond d'Ars, Jean Baggioni, Jean-Pierre Bébéar, Gérard d'Aboville.
■ PS
Michel Rocard, Catherine Trautmann, Bernard Kouchner, Danièle Darras, André Laignel, Nicole Pery, Jack Lang, Frédérique Bredin, Pierre Moscovici, Elisabeth Guigou, Jean-Pierre Cot, Pervenche Beres, François Bernardini, Michèle Lindeperg, Gérard Caudron
■ AN (Other Europe)
Philippe de Villiers, James Goldsmith, Charles de Gaulle, Thierry Jean-Pierre, Philippe Martin, Françoise Seillier, Georges Berthu, Herve Fabre-Aubrespy, Dominique Souchet, Anne-Christine Poisson, Frédéric Striby, Edouard Des Places, Mari-France de Rose
■ National Front (Allez La France!)
Jean-Marie Le Pen, Bruno Mégret, Bruno Gollnisch, Jean-Claude Martinez, Carl Lang, Marie-France Stirbois, Bernard Antony, Yvan Blot, Jean-Marie Le Chevalier, Fernand Le Chevalier, Jean-Yves Le Gallou
■ RE (Tapie)
Bernard Tapie, Jean-François Hory, Catherine Lalumière, Christine Taubira-Delanon, Noel Mamère, Michel Dary, Admiré Sainjon, Bernard Castagnede, Odile Verrier, Pierre Pradier, Christine Barthet-Mayer, Dominique Saint-Pierre, Antoinette Fouque
■ PCF
Francis Wurtz, Sylvaine Ainardi, Philippe Herzog, Gisèle Moreau, René Piquet, Mireille Elmalan, Aline Pailler

*Based on preliminary results issued by the European Parliament. Full results will not be known for several weeks.*

NETHERLANDS

## Christian Democrats cling on, but voters stay home

By Ronald van de Krol in Amsterdam

*Population:* 15.2m
*Seats:* 31

Results (Turnout 35.6%; 1989, 47.2%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| CDA | EPP | 30.8 | 34.6 | 10 | 10 |
| PVDA | PES | 22.9 | 30.7 | 8 | 8 |
| VVD | LDR | 17.9 | 13.6 | 6 | 3 |
| D66 | LDR | 11.7 | 5.9 | 4 | 1 |
| SGP | NA | 7.8 | 5.9 | 2 | 1 |
| Greens | Greens | 3.7 | 7.0 | 1 | 2 |

Source: European Parliament

*Abbreviations: CDA=Christian Democrats; PVDA=Labour party; SGP=Staatkundig Gereformeerde; VVD=Freedom and Democracy party

Parliamentary group abbreviations: see bottom front page this section

■ Electoral system:
Proportional from national lists
Compulsory voting: .................... No

The outcome of the Dutch elections for the European Parliament brought an unexpected victory for the Christian Democrats, partly softening the blow of their bruising defeat a month earlier in the country's general election.

The Christian Democrats won an unchanged 10 seats, making the party of outgoing prime minister Ruud Lubbers the largest Dutch party in the European assembly. This marks a recovery from the May general election, when the Christian Democrats were replaced as the biggest party in the Netherlands by Labour.

Labour won eight seats in the European Parliament, also unchanged from their 1989 result. However, Dutch representation in the European Parliament has increased to 31 seats from 25, meaning that both parties have seen relative declines in popularity.

Voter turnout for the Dutch Euro-elections fell to a record low of 35.6 per cent, down sharply from 47 per cent five years ago. Mr Frits Castricum, a successful Labour candidate, said, "With this kind of turnout, we all lose."

As in the general election, the biggest gains were recorded by D66, a left-of-centre party which jumped to four seats from one in 1989, and the right-wing Liberals, who doubled their previous three seats.

The Christian Democrats hope their recovery at the polls may mean a small boost to Mr Lubbers' chances of succeeding Mr Jacques Delors as president of the European Commission.

The campaign was short and subdued and marked by "voter fatigue" after municipal elections in March and the general election in May.

Unfortunately for the Christian Democrats, the low level of voting means the election cannot be seen as a protest against the continuing efforts by the other three parties – Labour, the Liberals and D66 – to form a new national government without them.

Still, the Christian Democrats seem to have learned their lesson from their showing in the general election, when their support for a freeze of the state old-age pension caused an uproar.

### MEPs

■ Labour
H d'Ancona, Frits Castricum, P Dankert, L van Bladel, W van Velzen, M van Putten, J Weirsma, A Metten
■ Christian Democrats
J R H Maij-Weggen, W G van Velzen, P A M Cornelissen, J Sonneveld, M G H M Oomen-Ruijten, K H M Peijs, J L Janssen van Raay, A M Oostlander, B Pronk, P L M Pex
■ VVD
G M de Vries, J G C Wiebenga, J E S Larive, J Mulder, F A Wijsenbeek, P C Plooij-va Corsel
■ Green links
Nel van Dijk
■ D '66
Jan-Willem Bertens, Laurens Jan Brinkhorst, Doeke Eisma, Johanna Boogerd-Quaak

BELGIUM

## Dissatisfaction benefits far right

By Emma Tucker in Brussels

*Population:* 10.0m
*Seats:* 25

Results (Turnout 90.7%, 1989, 90.7%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| CVP | EPP | 17.1 | 21.1 | 4 | 5 |
| VLD | LDR | 11.4 | 10.6 | 3 | 2 |
| PS | PES | 11.3 | 14.5 | 3 | 5 |
| SP | PES | 11.0 | 12.4 | 3 | 3 |
| PRL | LDR | 9.0 | 7.2 | 3 | 2 |
| VB | ER | 7.8 | 4.1 | 2 | 1 |
| PSC | EPP | 7.0 | 8.1 | 2 | 2 |
| Agalev | Greens | 6.7 | 7.6 | 1 | 1 |
| Ecolo | Greens | 4.8 | 6.3 | 1 | 2 |
| VU | RBW | 4.4 | 5.4 | 1 | 1 |
| FN | ER | 2.9 | - | 1 | - |
| CSP | EPP | 0.2 | - | 1 | - |

Source: Ministry of Interior
*Abbreviations: CSP=Christian Social Party; CVP=Christian People's Party; FN=Front National; PS=Parti Socialiste; SP=Socialist party; PSC=Christian Social Party; PRL=Liberal Reform party; VB=Vlaams Blok; VLD=Flemish Liberals and Democrats; VU=Volksunie

Parliamentary group abbreviations: see bottom front page this section

■ Electoral system:
Proportional from regional lists
Compulsory voting: .................... Yes

Many Belgians were shocked by the unexpectedly successful advance of the far right, not only in Dutch-speaking Flanders but in francophone Wallonia. A doubling of the Flemish Vlaams Blok vote and a sharp swing to the National Front in Wallonia means that three of Belgium's 25 seats in the European parliament will be occupied by the extreme right.

Vlaams Blok, the Flemish extremist party that wants independence for Flanders, lifted its share of the vote from 6.6 per cent in 1989 to 12.6 per cent, increasing its seats in the European parliament from one to two.

More startling – the Vlaams Blok had already made its presence felt in the 1991 national parliamentary elections – was the popularity of the National Front in Wallonia. It won 7.9 per cent of the vote, from nothing in 1989. Both far-right parties had campaigned on an anti-Maastricht ticket, although few commentators yesterday believed that it was this that had encouraged voters to support them.

Being "anti-Maastricht" appeared to be less about opposing a federal Europe and more about tapping into resentment prompted by the presence of so many well-paid, tax-exempt foreigners in Belgium's capital, home to the European Union's main insitutions.

"The essence of their appeal was that they were racist and anti-foreigners," said Mr Diederik Thibaut, a political analyst at Kredietbank, adding that extreme-right parties had also benefited from general and widespread dissatisfaction with the traditional parties.

The election's other big surprise was that the Flemish Christian Democrats – Prime Minister Jean-Luc Dehaene's CVP party – maintained their position as the ruling party in Flanders.

The revamped Flemish Liberal party – the VLD – had threatened to upset the CVP's hegemony, untouched since the last war, a threat backed up by opinion polls over the past two years.

In fact, the CVP share of the vote dropped to 27.4 per cent in Flanders, from 34.1 per cent, their seats falling from five to four. The VLD meanwhile, made only a paltry gain from 17.1 per cent of the vote to 18.4 per cent, an increase of one seat to three.

The francophone Liberals had a similarly disappointing day, their share of the vote rising from 22.8 per cent to 24.2 per cent.

The relative strength of the CVP is good news for the ruling coalition, should Mr Dehaene depart from the government to become president of the European Commission. His successor, backed by Sunday's election results, would be in a stronger position and thus better able to hold the coalition together.

### MEPs

■ SP
Freddy Willockx, Anne Van Lancker, Steve Stevaert
■ PS
José Happart, Raymonde Dury, Claude Desama
■ CVP
Leo Tindemans, Wilfried Martens, Marianne Thyssen, Raf Chanterie
■ PSC
Gerard Deprez, Fernand Herman
■ Flemish Liberals and Democrats
Annemie Neyts, Willy de Clercq, Mimi Kestelyn-Sierens
■ VU
Jaak Vandemeulebroucke
■ PRL
Jean Gol, Antoinette Spaak, Anna Andre
■ Agalev
Magda Aelvoet
■ Ecolo
Paul Lannoye
■ Vlaams Blok
Karel Dillen, Frank Vanhecke
■ FN (National Front)
Daniel Foret

*Based on preliminary results issued by the European Parliament. Full results will not be known for several weeks.*

In Wallonia, the Socialist party's woes, brought on by corruption scandals, were reflected in a massive 9 per cent drop in their share of the vote from almost 40 per cent in the last European elections to just under 30 per cent.

'The essence of their appeal was that they were racist and anti-foreigners'

"We knew we were going to lose," said Mr Philippe Busquin, president of the Walloon Socialists. "The loss is very significant, this is not a good result... we are paying for 'the affairs' and socio-economic difficulties."

Corruption scandals also hit the French-speaking Christian Democrats. Their share of the vote dropped to 18.8 per cent from 21 per cent.

The Green parties – Ecolo on the French side and Agalev on the Flemish – which did so well in the 1989 election, failed to improve on that election's successes. Ecolo's share of the vote dropped to 13 per cent from 16.5 per cent, their seats falling to only one from two. Agalev also lost ground, although it maintained its one seat.

One explanation for their setback was their support for "ecotaxes", very unpopular in Belgium, although other commentators suggested that their reputation had been knocked following their foray into national politics.

**LA STAMPA**

Silvio Berlusconi's victory in the European elections, his second electoral success in two months, has provided a full endorsement for his government. *It is* essential that this is fully understood not just because the prime *minister chose to make* these elections a referendum on the permanence of his government. In a *country like Italy* which has witnessed a brusque decapitation of its political class and a redefinition of its political landscape, the ballot *box on the very first occasion* was bound to be a test of whether voters confirmed or had second thoughts about their preferences.

The outcome is more than a mere stabilisation *of this* new political situation. Berlusconi and Forza Italia have now grown to encompass more or less one-third of the entire electorate. Berlusconi can govern (as he has sought but has not always been able to *do)... or he would be perfectly* entitled to call fresh elections.

**The Daily Telegraph**

*Everybody's luck has to turn* sometime. In so far as Mr John Major, the prime minister, *can be said to have pursued* a coherent political strategy over the last year that adage, *in a nutshell, has been it.* The question his demoralised party is now asking itself is whether its rout in the European elections finally marks the nadir of its fortunes? Mr Douglas Hurd, the foreign secretary, was yesterday *emphatic that it did.*

The prime minister, at least, *is likely to survive the debacle* if only because ... there is no obvious successor in sight. *Before he can again consider* himself secure, however, his party will require better evidence that their fortunes will at last improve than Mr Hurd was able to proffer yesterday. In this endeavour *Mr Major might be helped by* a fresher cabinet. The present team have had their day, and *should make way for newer* blood.

**EL PAIS**

The accumulated discredit from corruption scandals has eaten away at the Socialist vote on the centre and the left, and last-minute appeals to ideological fidelity, to avoid the triumph of the right, failed to move a demotivated and demoralised electorate ... The government cannot avoid taking these results into account: Felipe González must call a vote of confidence in parliament immediately, *because he can only continue* governing after yesterday's setback if he makes certain of having the support to guarantee an outright majority ... The Popular party has inflicted a serious defeat on the Socialists. This is an important political and personal success for José María Aznar ... Whatever turns out to be the way forward, the PP has won the right to be taken into account in the fundamental decisions of government and to participate *in drawing up the political* timetable for the future.

**THE IRISH TIMES**

The voting public has delivered a healthy dose of shock treatment to the (Fianna Fail-Labour) coalition partners in both the European elections and the by-elections in Mayo West and Dublin South Central. For some time there has been more than a whiff of arrogance from this government.

... *the hope must be that* the election results will bring the government back down *to earth ... The public showed* its distaste for the old order in other ways. The strong performance of Ms Patricia McKenna (of the Green party) in Dublin has underlined how the public is casting around for candidates out of the mainstream who will shake up the political establishment. For Fianna Fail there will have to be a great deal of soul-searching ... The public is not convinced that the government is addressing the issues that really concern them, *specifically the* unemployment crisis.

ITALY

# Berlusconi achieves target

By Robert Graham in Rome

Mr Silvio Berlusconi obtained precisely what he wanted from the European elections and as a result has further strengthened his position as prime minister.

Heading a heterogeneous government no more than a month old, Mr Berlusconi had to obtain two things. He needed to boost the share of the vote of Forza Italia, the political movement he founded in January, to *demonstrate his* popularity; and he needed to see his own position reinforced in relation to his other two main partners in government – the populist Northern League of Mr Umberto Bossi and the neo-fascist MSI/National Alliance of Mr Gianfranco Fini.

Anything less than this would have been seen as a cooling of electoral enthusiasm for his centre-right government which has unveiled only a handful of policy initiatives. At this stage he should still be at the height of his honeymoon with the electorate.

But Mr Berlusconi certainly gambled on winning by *presenting himself in all five of* Italy's electoral colleges and by ensuring that Forza Italia *splashed out large sums* on the campaign. Forza Italia is believed to have spent more than all the other parties combined. Indeed with budgets exhausted by the March general election, most parties made remarkably little effort, recognising Mr Berlusconi was still impregnable.

*Population:* 57.0m
*Seats:* 87

Results (Turnout 74.8%; 1989, 81.0%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| PSI | PES | 1.8 | 14.8 | 2 | 12 |
| PSDI | PES | 0.7 | 2.7 | 1 | 2 |
| PPI | EPP | 10.0 | 32.9 | 8 | 26 |
| Greens | Greens | 3.2 | 3.7 | 3 | 7 |
| SVP | EPP | 0.6 | 0.5 | 1 | 1 |
| PDS** | PES | 19.1 | 27.6 | 16 | 22 |
| RC | NA | 6.1 | - | 5 | - |
| LF | RBW | 0.4 | 0.6 | 0 | 1 |
| AN | NA | 12.5 | 5.5 | 11 | 4 |
| PR | NA | 2.1 | - | 2 | - |
| Rete | NA | 1.1 | - | 1 | - |
| Segni | NA | 3.2 | - | 3 | - |
| FI | NA | 30.6 | - | 27 | - |
| PRI | LDR | 0.7 | - | 1 | - |
| LN | NA | 6.6 | 1.8 | 6 | 2 |

Source: Ministry of Interior

*Abbreviations: DC=Christian Democrats; LN=Northern League; *MSI=Italian Social Movement;* PDS=Party of the Democratic Left - formerly *Communists; Polo=Liberals,* Radicals and Republicans; PSDI=Social *Democrat party; PSI=Socialists RC=* Reformed Communists

*** 1989 results included the RC*

Parliamentary group abbreviations: see *bottom front page this section*

■ Electoral system:

*Proportional from regional lists*

Compulsory voting: ________________ No

European issues scarcely figured in a lack-lustre campaign – perhaps explaining why an electorate, among the most pro-EU, should have swung behind a leader who is a Euro-sceptic. The election was not about Europe but who governs Italy.

*Forza* Italia obtained almost one in three of all votes, raising its share of the vote by over 10 percentage points. With bad weather and a 75 per cent turnout (low by Italian standards) this was an impressive performance and will undoubtedly *confirm* Mr Berlusconi's public image as a winner.

All the other parties of any note, whether in the government or among the opposition, lost ground. The former communist Party of the Democratic Left (PDS), the main opposition party, slipped two percentage points to just below 20 per cent – a poor performance which is bound to poison the already bitter behind-the-scenes debate on who *should* succeed Mr Achille Occhetto who resigned as leader yesterday. The centre was *further* squeezed *as* support slipped to Forza Italia.

It was also significant that *the League* slipped in its northern heartland at the expense of Forza Italia, especially in the cities. In a little more than two months in Milan the League share of the vote fell from 16 per cent to 11 percent, in Venice from 14 to 8 per cent.

Mr Berlusconi was quick to insinuate this was the product of Mr Bossi's provocative disloyalty in the government coalition, constantly sniping at Forza Italia and the MSI.

But the decline in the League's fortunes is explicable by other factors as well. It was the sole centre party in the north representing a genuine break with the past until the advent of *Forza Italia,* created by another northerner with northern values of hard work and free enterprise.

Forza Italia has become an attractive alternative for those who dislike and mistrust the League's regional narcissism and wish to see a renovated version of the old Christian Democrat Party ruling Italy.

On the basis of Sunday's result, the government coalition has not just a parliamentary majority *but a majority* of the vote. More important, Forza Italia and the MSI *combined* have *almost* 45 per cent of the national vote, which would probably give them a parliamentary majority.

Thus Mr Berlusconi need not consider the unpredictable League a permanent partner and the pressure is on Mr Bossi to be co-operative. However, he knows that co-operating too long in government could *submerge* the League's identity and with it his own political career.

Gianfranco Fini, MSI's leader, and his wife cast their ballots

# Occhetto decision sets up tough leadership fight

By Robert Graham in Rome

*Mr Achille Occhetto yesterday* announced he was resigning from the leadership of the former *communist* Party *of* the Democrat Left (PDS) in the wake of his party's poor performance in the Euro elections.

His departure opens the way for a tough leadership contest to head Italy's main opposition party at a time when the electorate *has swung sharply* towards the centre-right.

The resignation of the 58 year-old founder of the PDS also offers an unexpected filip to the Berlusconi government as it leaves the opposition temporary leaderless.

*In a bitter resignation letter,* Mr Occhetto attacked those within the PDS who had been *sniping* at his leadership ever since the party's Progressive Alliance failed to beat Mr Silvio Berlusconi's right-wing Freedom Alliance in the March general elections.

He had no wish to stand in the way of new blood taking over. He said that it would be wrong that the search for an innovative role of the left should be *side-tracked* by arguements about the leadership.

Mr Occhetto was the first European communist leader to break with the past following the collapse of the Berlin Wall. He saw the need to steer the old *Italian* Communist party (PCI) inspired by the marxist teachings of Gramsci and the *moderate example* of the late Enrico Berlinguer towards a social democrat platform.

The PDS was formed in February 1991 under his aegis, carrying with it *the* bulk of the PCI members. A hardline rump refused to join the new party *and subsequently formed* Reconstructed Communism.

Mr Occhetto underestimated the appeal of Mr Berlusconi's anti-communism and his own identification with the old political system.

Among those tipped for the *leadership race are* Mr Massimo D'Alema, Mr Occhetto's long-standing heir who suffers from a humourless public image, and Mr Walter Veltroni, the clever young editor of L'Unità, once the PCI mouthpiece and now a daily of the left. An interesting outsider is Mr Massimo Cacciari, the philosopher mayor of Venice and former deputy.

● *The Italian list of Euro-deputies was not available last night due to the proportional system that has voters balloting for lists of candidates. Twelve of the leading politicians were present on the lists in all five electoral colleges.*

PORTUGAL

# Unconvincing win frustrates Socialist hopes

By Peter Wise in Lisbon

Portugal's *opposition* Socialist party (PS) narrowly defeated the Social Democratic party *(PSD) of prime minister* Aníbal Cavaco Silva but failed to mobilise a significant protest vote against a government beset by recession.

The margin, *of less than half* a percentage point, has frustrated the hopes of Mr António Guterres, the PS leader, of using the Europe elections as a springboard for victory in a general election scheduled for October 1995.

The centre-left PS increased its share of the vote from 28.5 per cent in the previous European elections to 34.8 per cent, electing 10 deputies to the European parliament, compared with eight in 1989. But the centre-right PSD also achieved a gain of 1.7 percentage points to 34.4 per cent and maintained nine MEPs. The PS's gains were *largely* at the expense of the communist CDU coalition, which lost one of its four seats. The PS also won the extra seat allotted to Portugal, whose number of MEPs has risen *from 24 to 25.*

After nine years of PSD rule and almost two years of recession, the PS *was banking* on a more convincing victory to gain credibility as an alternative *government party.* The margin of less than 13,000 votes may be insufficient to fend off *challenges* to Mr Guterres's leadership.

Figures published before the election *indicate the* recession *has* not yet bottomed out as

*Population:* 9.9m
*Seats:* 25

Results (Turnout 35.7%; 1989, 51.2%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| PS | PES | 34.7 | 28.5 | 10 | 8 |
| PSD | LDR/EPP | 34.3 | 32.7 | 9 | 9 |
| CDS | EDA | 12.4 | 14.1 | 3 | 3 |
| CDU | LU | 11.2 | 14.4 | 3 | 4 |

Source: Ministry of Interior estimates

*Abbreviations: CDS=Social Democratic Centre; CDU=United Democratic *Alliance; PS=Socialist party;* PSD=Social Democratic party

*Parliamentary group abbreviations: see bottom front page this section*

■ *Electoral system:*

Proportional from national lists

Compulsory voting: ________________ No

the government had forecast. Real wages have fallen sharply and unemployment is steadily rising. Farmers have seen cuts in production and earnings during the past three years. Industry struggles to compete within the single market.

Turnout fell to 35.7 per cent, compared with 51.3 per cent in 1989, the lowest for any election in Portugal since democracy was restored in 1975. Abstention was aggravated by the allure of sunny beaches during a bank holiday weekend. *But it also reflected* both the failure of the main parties to inspire widespread support and the *European Parliament's* lack of significance to Portuguese voters.

**MEPs**

■ Socialist party

António Vitorino, João Soares, Luís Marinho, José *Manuel Torres* Couto, José Barros Moura, Carlos Lage, António Campos, *Helena Torres* Marques, José Apolinário

■ *Social* Democratic Party

*Eurico de Melo,* António Capucho, Arlindo Cunha, Francisco Lucas Pires, Carlos *Pimenta,* Manuel Porto, *Helena Vaz da Silva, Carlos da* Costa Neves, Jorge Ferraz de Mendonça.

■ Centre Social Democrat-Popular Party

*Manuel Monteiro, Raúl Rosado* Fernandes, José Girao Pereira

■ Unitary Democratic Coalition

*Luis Sá, Joaquim Miranda,* Sérgio Ribeiro

GREECE

# Dissatisfied voters send a clear signal

By Kerin Hope in Athens

So confident was Mr Andreas Papandreou, the elderly Greek *prime minister, of victory for* his Panhellenic Socialist Movement that he went to bed without bothering to watch the results of Sunday's European Parliament elections on television.

It was left to his spokesman to explain in the early hours why support for Pasok had dropped by 10 percentage points since its *triumphant* return to power in last October's general election.

While the Socialists easily headed the poll, capturing 37.6 per cent to 32.7 per cent for the conservative New Democracy, Greek voters had clearly registered dissatisfaction with both big parties.

Pasok won 10 of Greece's 25 seats in the European parliament, against eight for New *Democracy,* three for the nationalist Political Spring party, and two each for the *Greek Communist* party and the Left Alliance.

Analysts said the results reflected widespread disap-

*Population:* 10.3m
*Seats:* 25

Results* (Turnout 71.9%; 1989, 79.9%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| *Pasok* | *PES* | *37.6* | 36.0 | 10 | 9 |
| ND | EPP | 32.7 | 40.4 | 9 | 10 |
| *Left* | *LU* | 12.5 | 14.3 | 4 | 4 |
| Diana | EDA | 2.8 | 1.4 | 0 | 1 |
| Others | *NA* | *8.7* | - | 2 | - |

Source: European Parliament

*Abbreviations: Left=SYN and KKE; ND=New Democracy; Pasok=Panhellenic Socialist Movement

Parliamentary group abbreviations: see bottom front page this section

■ *Electoral system:*

Proportional from national lists

Compulsory voting: ________________ Yes

pointment with the government's unwillingness during the past eight months to grant generous wage and pension increases and create public sector jobs for Pasok supporters. While several thousand appointments have been made, the rising public sector deficit

Andreas Papandreou after voting in Athens

inhibits the Socialists from setting up dozens of new state enterprises as they did in the 1980s.

However, voters also signalled their concern about Pasok's future, following repeated hints that Mr Papandreou, who is 75 and has a heart problem, may resign as Pasok's leader and seek election next year for the ceremonial job of president. Without the charismatic but authoritarian Mr Papandreou in charge, Pasok's rival factions could be plunged into a messy struggle *for power.*

New Democracy is embroiled in such a battle, as Mr Miltiades Evert, who took over as leader after last year's election, tries to gain control. The party's poor showing on Sunday is already provoking fresh *criticism of his failure to improve* the conservatives' image.

The election results also underline *the possibility of* splinter groups breaking away from both parties, headed by prominent personalities unwilling to serve under an unpopular leader. Mr Evert's old-*fashioned* insistence on state-oriented economic policies is trying the patience *of* reform-minded conservatives. Another hammering in local government elections later this year would speed their departure to form a new party.

The biggest gains on Sunday were made by Political Spring, the nationalist party led by *Mr* Antonis Samaras, a former foreign minister who brought the conservative government down last year by persuading several *ND* deputies to defect. With 8.7 per cent of the vote, almost double its share in the general election, Political Spring's efforts to attract voters in their 20s and 30s appear to have paid off.

Yet the strength of the protest vote also propelled both the Greek communists, still unswervingly Stalinist, and the small Left Alliance party back into the European parliament, with 6.3 and 6.2 per cent of the vote respectively. Record numbers of votes also went to fringe parties with no hope of winning seats, among them environmental groups, right-*wing extremists and the newly* formed Leftwing Resistance to the European Union.

**MEPs**

■ Pasok

Dimitris Tsatsos, Christos Papoutsis, Paraskevas Avgerinos, Constantinos Klironomos, Yannis Roubatis, Angela *Kokkola, Stelios Panagopoulos,* Giorgos Katiforis, Nikos *Papakyriazis, Irene Lambraki*

■ New Democracy

*Efthymios Christodoulou, Antonios* Trakatellos, Nana Mouskouri, Stelios Argyros, Giorgios *Dimitracopoulos,* Pavlos Sarlis, Takis Lambrias, *Giorgios Anastasopoulos*

■ Political Spring

Katerina Daskalaki, Nikitas Kaklamanis, Dimitris Kurkulas

■ Left Alliance

Alexandros Alavanos, Michalis Papayannakis

■ Greek Communist Party (KKE)

Vassilis Eframides, Yannis Theonas

DENMARK

# Bloody nose for Rasmussen's SDP

By Hilary Barnes in Copenhagen

Prime Minister Poul Nyrup Rasmussen's Social Democratic party was dealt a bloody nose, winning only 15.8 per cent of the vote compared with 23.3 per cent in 1989 and losing one of its four seats in Strasbourg.

The SDP, whose supporters are not as pro-European as its leaders, lost heavily to the alliance of two anti-European movements, the People's Movement Against the EU and the June Movement. The two groups scored a total of 25.5 per cent compared with 18.9 per cent won by the People's Movement in 1989 (the June Movement is a newcomer), but the two failed to win an extra seat and retain a total of four.

The election was not a clean sweep for the anti-European cause, however. The two pro-European opposition parties, the Liberals and Conservatives, each picked up an extra seat, "an excellent result," commented Mr Uffe Ellemann-Jensen, the Liberal leader and former foreign minister. The Liberals went ahead to *18.9* from 16.6 per cent to win four seats.

The Conservatives, whose lead candidate was the popular former prime minister, Mr Poul Schlüter, won *17.7* per cent, against 13.3 per cent last time, and picked up three seats. But the strongly pro-Union Centre Democratic party, a member of the present four-party centre-left coalition government, *lost* both its seats and saw its share of the vote sink to 0.9 per cent from 7.9 per cent in 1989.

The Radical Liberals (also a member of the coalition) gained a seat for the first time by fielding a popular woman candidate, former environment minister *Ms Lone Dybkjaer,* who is the present live-in companion of the prime minister. The Euro-sceptical Socialist People's party held on to its single seat although dropping to 8.6 from 9.1 per cent.

**MEPs**

■ SDP

Kirsten Jensen, Freddy *Blak,* Niels Sindal, Ove Madsen

■ CPP

Poul Schlüter, Marie Jepsen, Christian Rovsing

■ Venstre (Liberals)

Eva Kjer Hansen, Bertel Haarder, Niels Anker Kofoed, Karin Riis Jorgensen

■ *Radical Liberals*

Lone Dybkjaer

■ Socialist People's Party

Lily Gyldenkilde

■ June Movement

Jens-Peter Bonde, Ulla Sandbaek

■ People's Movement Against the *EU*

Ole Krarup

*Based on preliminary results issued by the European Parliament. Full results will not be known for several weeks.*

*Population:* 5.2m
*Seats:* 16

Results (Turnout 52.5%; 1989, 46.2%)

| Party* | Parliament group | % vote '94 | % vote '89 | Seats '94 | Seats '89 |
|---|---|---|---|---|---|
| Venstre | LDR | 18.9 | 16.6 | 4 | 3 |
| CPP | EPP | 17.7 | 13.3 | 3 | 2 |
| SDP | PES | 15.8 | 23.3 | 3 | 4 |
| JB | RBW | 15.2 | - | 2 | 3 |
| FB | RBW | 10.3 | - | 2 | 1 |
| SPP | Greens | 8.6 | 9.1 | 1 | 1 |
| RV | LDR | 8.5 | - | 1 | - |
| CD | EPP | 0.9 | 7.9 | 0 | 2 |

Source: *Ministry of Interior*

*Abbreviations: CD=Centre Democrats; CPP=Conservative People's party; FB=People's Movement Against the EU; JB=Junibevaegelsen; RV=Radikale Venstre; SDP=Social Democrats; SPP=Socialist People's party

Parliamentary group abbreviations: see bottom front page this section

■ Electoral system:

Proportional from national lists

*Compulsory voting:* ________________ *No*

**Vernon Bogdanor** questions the legitimacy of a system that fails to mobilise popular consent

# Long road to true democracy

The The 1994 elections to the European parliament raise two questions. The first is whether direct elections are able to confer democratic legitimacy to the European enterprise. The second is whether that enterprise has any chance of succeeding without a radical change of direction.

The most striking feature of the elections is the small percentage of Europeans who can be bothered to vote. In 1979, 63 per cent of electors in the Community voted in the first elections for the European parliament. This disappointingly low turnout was ascribed to the parliament's lack of powers, an excuse no longer available.

Yet, in 1994, for the third successive election, overall turnout fell – to 56.5 per cent compared with 58.5 per cent in 1989 and 61 per cent in 1984. Given that voting in three countries – Belgium, Greece and Luxembourg – is compulsory, it is probable that only a minority of electors were voluntarily prepared to offer even that minimal endorsement of European Union symbolised by the act of voting.

The parliament, it is now clear, is unable to create a European consciousness among the electors. This failing is not contingent, but inherent in the operation of European institutions.

Domestic elections succeed in conferring legitimacy because they fulfil three functions. They offer the voter a choice of government, a choice of who should lead that government, and the choice of a set of policies. European parliament elections fulfil none of these functions. The government of the Union is shared between the Council of Ministers and the Commission but the composition of neither of these bodies is affected by European elections.

**The elections are undermined by the voting system in the UK**

The leadership of the Union, in the guise of the person who will succeed Mr Jacques Delors as president of the Commission, is decided, not by the voters, but by backstairs dealing between the governments of the member-states. The future policies of the Union are decided through bargaining by the political leaders of the core member states – France, Germany, and Spain.

Rather than conferring democratic legitimacy to the European project, European parliament voting has thus become a series of separate national elections, or rather perhaps national opinion polls, with the function of charting the changing fortunes of the main domestic political forces. Even here, the elections are deeply flawed owing to Britain's stubborn insistence on maintaining its first-past-the-post system.

Can the European Parliament really claim a mandate to represent the opinion of its 269m voters, when it is supported by just over half of these voters, and when its representation is so distorted?

If there has been one noticeable transnational trend in these elections, it has been the success of the right in three of the five large member-states of the Union – Germany, Italy and Spain. Yet, because of the exaggerative effects of the British electoral system, the UK Labour party will be by far the largest party in the parliament, and the Socialists the largest of the party groups.

There is a striking contrast between the progressive transfer of competences to the European Parliament and the lack of popular involvement of the European electorate. The failure to mobilise popular consent is the main weakness of the European project.

If the Union continues to transfer further competences to a European level and extends majority voting in the Council of Ministers, it will become further alienated from those it claims to represent.

In reality, the development of the EU has revealed a more fundamental chasm in European politics than that between right and left, more profound even than that between Europhiles and Eurosceptics. It has opened up the most dangerous of political divides, that between the people and the political class. In Britain, France, Germany and Italy, all the main political parties have favoured the European enterprise although large minorities of the population are against it. With no legitimate outlet for anti-Europeanism, voters will turn to less respectable alternatives, the National Front in France in 1984 and 1989, Germany's Republicans in 1989, and, in Italy, Mr Silvio Berlusconi and his neo-fascist allies in 1994.

**Only a small percentage of Europeans bothered to vote**

The European Parliament, intended as a counterweight to the bureaucratic and technocratic elements of the Union, has become, as perceived by its electors, a part of that very technostructure. Any reform of the EU's institutions must begin by giving the electorate of Europe the power to choose its government. One way to achieve this is by direct election of the Commission. But that would require a treaty amendment. In the current climate, this almost certainly would not be passed.

Under Article 138 of the Treaty of Rome, elections to the parliament are to be conducted by a uniform electoral procedure in all of the states. If Britain could be persuaded to agree to this provision, it would be possible to produce common transnational lists for the European elections.

It could then be accepted that the winning lists should form the Commission, which would be composed of members of one political colour, and could thus could offer the political leadership that Europe so badly needs.

The European elections of 1994 mark the end of the road for a particular conception of Europe, one symbolised by the benign despotism of Delors.

The elections none the less constitute both a challenge and an opportunity for European leaders. The opportunity is to help create a European consciousness, without which the construction of Europe cannot even be contemplated, let alone completed.

*The author is Reader in Government, Oxford University.*

# Parliament must play to its strengths

**Pauline Green** asks if MEPs will make the most of their powers

The votes have been counted. The new parliament starts work on July 19. Can it make the most of its new powers? Or will it sink into oblivion for the next five years?

The parliament has strengths and weaknesses, some not of its own making. It must play to its strengths and try to eliminate those handicaps that can be eliminated.

Some weaknesses are inherent. The need to work in nine (soon 12) languages means that debates will never have the cut and thrust of the House of Commons.

Where the parliament does well, however, is in influencing legislation and carrying out the nitty-gritty of parliamentary scrutiny, shaping the budget and monitoring and questioning civil servants' actions.

Every year the parliament adopts thousands of amendments to draft legislation, reshaping the laws that affect us in important areas such as consumer protection, environmental standards, social legislation, equal opportunities and banking. Through its budgetary powers it redirects spending to priority areas.

Even before Maastricht reinforced its powers, most parliamentary amendments ended up on the statute book in directives and regulations adopted by the Council of Ministers. Under Maastricht, important areas of legislation fall under the "co-decision" procedure and are adopted jointly by parliament and the Council. Parliament's influence on legislation can only grow.

In particular, the right to say "no" – to veto draft legislation, to blow the whistle on behalf of our constituents – will be crucial for the parliament's public perception.

Some national parliaments act virtually as a rubber stamp in adopting legislation proposed by governments. In this respect, the European parliament does better than many national parliaments.

National governments want parliament to continue with the ludicrous system of spreading its activities over three countries. Most parliamentary work is carried out in Brussels, but once a month the whole show moves to Strasbourg for plenary sittings, and a large proportion of the secretariat is based in Luxembourg.

Brussels should be the single site of parliament's activities, close to the other institutions it has to scrutinise, and in the same town as the European press corps, representatives of interest groups and member states' embassies.

Another problem is that the treaties negotiated and ratified by national governments now include far too many complex procedures for involving parliament in European legislation. The 1996 conference should seek to simplify and standardise these rules by applying a streamlined co-decision procedure to all areas where Council adopts legislation by a qualified majority.

The press, too, having frequently pointed to parliament's increased importance, must follow this up by increased coverage of parliamentary work.

The parliament should also put its own house in order. A good start was made last year with a complete overhaul of the Rules of Procedure, allowing parliament to concentrate its time on more important matters where it has power, to limit possibilities for filibustering by small groups, and to improve management.

In the new parliament, the centre-right will be far more divided and fragmented, with an extreme right contingent introducing instability and even conflict. Handling this will present a challenge. Even more than in the past, the Socialist group will have to lead the parliament, despite the absence of an overall majority for any group.

All in all, the new parliament has a good chance of using its new powers effectively. The big question is how national governments will handle the 1996 constitutional revision. We look forward to seeing how they face up to their responsibilities.

*The author is leader of the group of UK's Labour MEPs.*

Test must be loyalty to shared ideals, writes **Pertti Salolainen**

# Making the Union truly pan-European

In 1923, the Bohemian Count Richard Coudenhove-Kalergi wrote in his book *Pan Europa:* "To rationalise the European economy we have to create an internal European market. Only that way can Europe achieve high wages, low prices and great turnover." Already during those chaotic days after the Great War, economic convergence was seen by many as the only means to ensure lasting peace and prosperity.

Today a single market exists for the European Union. Additionally, we have created the European Economic Area, by which the single market is extended to the wealthier European non-EU countries. The EU has negotiated co-operation agreements with central and eastern Europe.

However, the real question is whether the European Union will some day become pan-European. I believe that the real Europeanism of the 21st century must embrace and extend the values of liberalism, pluralism, tolerance, and rationality throughout the continent.

A multi-track Europe is already more a reality than a threat. EU divergences are apparent. It is difficult to see how all the present member states could satisfy the criteria for the adoption of a single currency by January 1 1999. In the Visegrad countries, or the former Soviet Union, the picture is still more fragmented.

The EU should be genuinely open to all European nations that share the common ideals of peace and prosperity. The question of when and how steps to enlarge the EU should be taken has to be solved case-by-case. The Union must function efficiently and in a co-ordinated way. Our aim is to promote forward-looking co-operation.

Finland's membership of the European Union is a matter of stability and independence. Stability, because Europe needs the kind of stability that only integrated co-operation can produce. Independence, because by joining the EU we can best influence our own destinies.

For Europe, Finland's membership will strengthen the EU's role as a political and economic anchor.

On October 16, we will be holding a national referendum on EU membership. Under the Finnish constitution, such a referendum is only advisory, but the Finnish government will consider the outcome politically binding.

Sceptics must realise that in an interdependent world no nation can survive in isolation. That was also the lesson of the Austrian referendum result on Sunday, which I warmly welcome.

To preserve sovereignty, Finland needs a secure, equitable place in the decision-making process that will decide its future.

*The author is Finland's foreign trade minister and negotiator on EU affairs.*


Will the single currency deadline be met? asks **Stefan Collignon**

# Euro-MPs face mission to espouse Emu

The advantages of a single European currency for lowering transaction costs, supporting competition, and reducing uncertainties are well known. The new members of the European parliament must explain these advantages to their electorates and must reassure them of the soundness of the planned transition to economic and monetary union (Emu).

By June 1999, when the new MEPs seek re-election, a European central bank will probably have started to issue Ecus for the first group of countries to embark on monetary union.

During the last two years, the European Monetary System (EMS) has seen drama. But the rationale for Emu is unchanged. None of the remaining ERM participants has used the wider bands to cut interest rates excessively or to engineer competitive devaluations.

After last summer's crisis, many officials saw countries' willingness to continue stability-oriented policies as a test of the political and economic philosophy behind Emu. The core countries have passed that test with flying colours. Will they be able to transfer to a single currency as early as 1997?

A majority of countries (Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands) already fulfils the purely financial criteria set by the treaty. They have low inflation, long-term interest rate convergence and relatively stable exchange rates.

However, greater fiscal efforts are necessary to bring deficits into the 3 per cent range set down by the treaty. Lower debt/GDP ratios are also necessary. More time may be needed to achieve convergence.

That does not jeopardise the target of a single currency this century.

Central bank co-operation must also improve in the approach to the final stage of Emu. The European central bank will be responsible for conduct of monetary policy from the first day of stage three. That implies it will have to supply the banking system with Ecu liquidity through the existing money markets. It can do so efficiently only if these markets are fully integrated beforehand.

That in turn requires the convergence not only of long-term interest rates – as stipulated by Maastricht – but also of short-term rates. One way to achieve such convergence is to define common money supply targets for the countries of the stability zone, and then to stop sterilising capital flows between them.

The history of the EMS indicates that during the 1980s successful disinflation was linked to some kind of income policy in many countries.

The European Parliament could help reduce unemployment and pave the way for economic convergence by stimulating a debate about the need to link pay increases to productivity growth.

The European Parliament should monitor the removal of Ecu obstacles. MEPs could create an independent panel of economists and "wise men" to assess progress. Above all, MEPs can be useful in creating a European-wide consensus about the stability required for Emu to be successful.

*The author is director of research at the Association for the Monetary Union of Europe.*

# German presidency has new dimension

Overcoming structural weakness and unemployment heads the agenda, writes **Tyll Necker**

The German government assumes the six-monthly presidency of the European Union next month – at the same time as the fourth directly elected European Parliament takes up its duties.

In line with the Maastricht treaty, the decision-making and supervisory powers of the newly elected parliament have been enlarged.

EU policies have taken on a significance for Germany that in many spheres is equivalent to that of national policies. More than 60 per cent of the legislation affecting business and consumer affairs is now determined at a European level, and is thus dependent on the European Parliament's decisions. To give the parliament a broad democratic basis, German industry made clear during the campaign that it favoured a high turnout in the elections on Sunday.

The German presidency and the new parliament will be starting their work at a time of great political and economic challenge.

After the large-scale upheavals which have taken place in Europe during the last few years, including the reunification of Germany, the task now is to press forward along the path of European integration.

The main item on the agenda is to strengthen Europe's position as a centre for economic activity by overcoming points of structural weakness and reducing unemployment.

Last December, the European Council drew up an action plan based on the Commission's white paper on growth, competitiveness, and employment. That provides the foundations for a successful common strategy the medium term, which is intended to reinforce companies' competitiveness and increase employment.

Broad-based investment and a clear reduction in unemployment can be attained only if companies are able to stand up to increasingly intense international competition.

To achieve that aim requires: a reduction in the burdens of taxes and other levies on European companies, which are very high by international standards; more flexibility in labour markets; deregulation and privatisation of many important areas, such as telecommunications, energy, and transport; improvements in infrastructure, making use of private as well as public sector capital; and promotion of innovation by means of well-coordinated and application-orientated research and development policies.

From the point of view of German industry, the German presidency of the EU should aim to press forward speedily and consistently with the aim of completing the single market programme.

Of the measures putting the programme in place, 95 per cent have now been agreed. However, across the EU, only 87 per cent of the measures have been placed on the statute book, so the single market cannot yet said to be fully operational.

Moreover, only 50 per cent of the measures have come into effect in all 12 member states. Partnership and co-operation are necessary to ensure that single market rules are applied in an efficient and even-handed manner. That is the only way to overcome competitive distortions.

**Common policies are required to control and to prevent waste disposal, assist recycling and the re-use of materials**

Consolidating the single market also requires harmonisation of tax policies and reduction of fiscal hindrances. Action is called for to end burdens on industry stemming from provisional VAT rules. This would require a decision on a new system for country-of-origin VAT collection.

Fiscal barriers for cross-border capital transactions and corporate restructuring must also be removed. A well-functioning joint export control regime is also needed, encompassing so-called "dual use" goods ie. those capable of both military and civilian applications.

Another priority is cross-border environmental protection. Common policies are required to control and to prevent environmental problems, particularly with regard to waste disposal but also with recycling and with the re-use of materials.

There is further need for action in the European Union's external relations, of utmost importance for assuring competitiveness. There may well be important landmarks here in the application of the Gatt Uruguay Round agreement, as well as in the establishment of the World Trade Organisation. The EU needs to assume a leadership role in this respect alongside the US.

The Union's trade policy must be strongly geared to the principles of multilateralism and openness towards the rest of the world. The leading industrialised countries' trade policy will be credible only if they refuse to countenance one-sided, discriminatory measures or threats of sanctions.

A decisive point for Europe's external relations will be the extension of trade and industrial co-operation with the reform-minded states of central and eastern Europe. The German EU presidency should devote special energy to supporting these countries' economic reform efforts.

In line with the principle of "self-help", trade and economic co-operation can provide the right conditions to allow these countries themselves to generate the revenues needed to finance these reforms.

Another central issue for the German presidency will be preparing the conference to review the Maastricht treaty in 1996. Here I anticipate improvements on the details of the treaty as well as decisive steps towards developing European integration. In particular, we must meet the challenges associated with enlargement towards some of the Efta states and further economic and political rapprochement with central and eastern Europe.

It is important to extend the European parliament's co-decision rights. Such reinforcement forms an essential part of efforts to strengthen the EU's democratic structures and to increase further the parliament's involvement in the European integration process.

*The author is president of the Bundesverband der deutschen Industrie (Federation of German Industries).*

# Labour leadership contenders lay out their stalls

## The three main candidates to succeed John Smith chose a union annual congress to consolidate their campaigns, writes **David Goodhart**

**Mr Tony Blair's apparently unstoppable advance on the leadership of the opposition Labour party remained undented by a three-sided debate at the annual congress of GMB general union last night.**

**Mr John Prescott, his main opponent, who appeals mostly to Labour's core traditional voters, was on home ground and provided a punchy and emotional contribution stressing his trade union past and his socialist values.**

**But his speech was also repetitious and poorly organised and seemed to disappoint some of his supporters.**

The GMB's US-style primary attracted surprisingly little interest among the 700 delegates. About half of them left the conference when normal business ended in the early evening, and only a few then trickled back.

Earlier, the third candidate, Mrs Margaret Beckett, who took the formal slot reserved for the Labour leader, gave a lacklustre performance.

Like Mr Prescott she stressed the importance of the union Labour party links, of full employment, and of government support for industry.

Mr Blair also did little to rouse delegates with his address stressing public-private partnership and Labour's opportunity to become the party that is trusted on tax and economic management.

He talked also about skilled development and lifelong learning and most delegates thought that he had won narrowly on points.

The GMB is a centre-right but traditionalist union with a leader – in Mr John Edmonds – who has fallen out with the Labour modernisers.

Neither the leadership nor the activists are enthusiastic about Mr Blair, but up to one third of the 700 delegates would probably vote for him.

The biggest group of delegates seems set to vote for Mr John Prescott. Quite a large minority, and most of the women delegates, are likely to back Mrs Beckett.

But private polls of the union's ordinary members show almost 50 per cent backing Mr Blair, about 30 per cent for Mr Prescott, and the rest split between Mrs Beckett and others.

That presents the union leadership with a problem. They cannot endorse Mr Blair because of his overt coolness towards unions – but endorsing anyone else may make them appear out of touch.

"Blair doesn't stand for anything, we don't want to win at any price," said one activist.

But support for Mr Blair is not only found among the ordinary members.

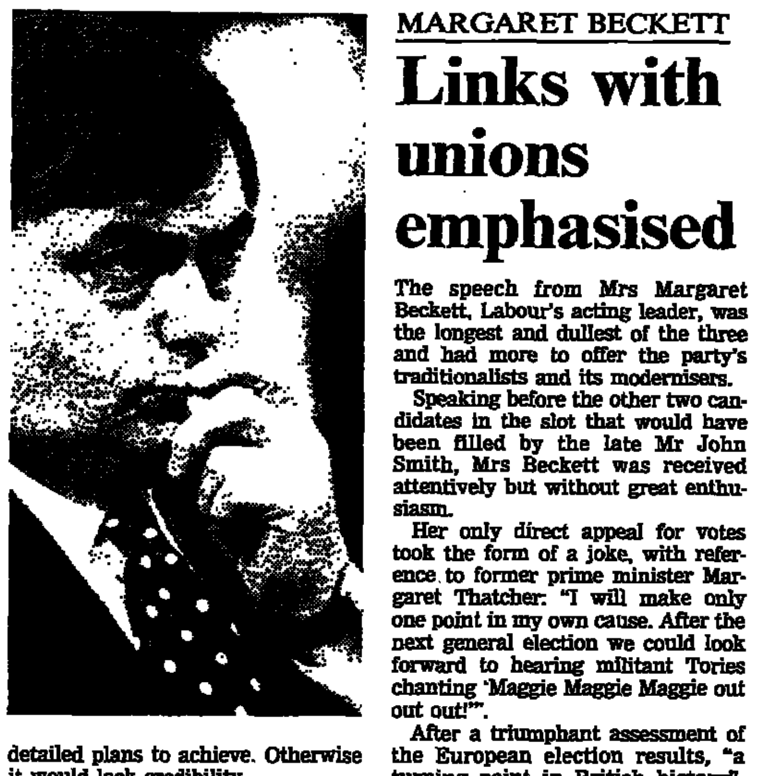
A recent GMB full-time officials advised Mr Edmonds not to endorse any of the candidates. He rejected that on the grounds that if the newspapers can endorse candidates so can the GMB. But when the full-time officials did indicate their preferences they were equally split between Mr Blair and Mr Prescott.

According to a poll for Sky News, the satellite TV station, Mr Blair appears already to have secured the support of well over half of Labour's 268 MPs for his bid to succeed John Smith as Labour leader.

The poll which contacted 197 Labour MPs between June 11 and 13 put support for Mr Blair at 140. Mr Prescott was backed by 19 MPs and Mrs Beckett by 16.

JOHN PRESCOTT

### Pledge to put jobs on agenda



Mr John Prescott, who won the toss of the coin and spoke first, revelled in his traditionalist tag as guardian of the Labour party's socialist roots. "I'm proud of my socialist values – which are as relevant in the 1990s as in the 1940s – and I'm proud of my trade union background," he told delegates at Blackpool.

But he also stressed that he was a man for policy detail, rather than juts for rhetoric on the big occasion.

He told delegates that on unemployment he would accuse the Conservatives of creating mass unemployment as a deliberate act of policy.

"I'll put jobs and social justice at the top of the agenda. I have a hatred of mass unemployment that came from my experience as a seaman," he said.

He said that the two wings of the Labour movement must continue to work in close co-operation and place particular stress on the importance of implementing a minimum wage. "We cannot compete by becoming a low wage skivvy economy," he said. He said that full employment was still feasible but that it required detailed plans to achieve. Otherwise it would lack credibility.

Answering questions Mr Prescott refused to be drawn on the precise level at which a minimum wage should be pegged. And he went on to reiterate his strong support for the principle and said that he himself had had to live on a minimum wage as a hotel worker.

MARGARET BECKETT

### Links with unions emphasised

The speech from Mrs Margaret Beckett, Labour's acting leader, was the longest and dullest of the three and had more to offer the party's traditionalists and its modernisers.

Speaking before the other two candidates in the slot that would have been filled by the late Mr John Smith, Mrs Beckett was received attentively but without great enthusiasm.

Her only direct appeal for votes took the form of a joke, with reference to former prime minister Margaret Thatcher: "I will make only one point in my own cause. After the next general election we could look forward to hearing militant Tories chanting 'Maggie Maggie Maggie out out out!'".

After a triumphant assessment of the European election results, "a turning point in British history", Mrs Beckett talked about the need for a better balance between the individual and the community, but also had some meat for the left.

She stressed the importance of the links between the unions and the Labour party. "Our relationship brings reality to what can otherwise become the unreal world of politics."

She also talked about "supporting and backing" British industry and of government taking a lead in industries of the future. Modernisers would have been happier with her final comments on the need to modernise the welfare state.

TONY BLAIR

### Ambitious programme set out

Mr Tony Blair received warm applause from the delegates though not a standing ovation as he called for Britain's "national renewal" and the creation of a "strong, united society" based on "bonds of social solidarity", writes **Robert Taylor**.

"There are two messages from the European election results. Labour is once again a great national party capable of uniting this country," he said. "People have had enough of this Tory government – its broken promises, its pledges that have not been kept. They believe the Tories are no longer fit to govern this country. The people will never trust them on tax ever again."

Mr Blair sketched out a surprisingly detailed domestic programme for Labour. He pledged himself to the objective of re-establishing full employment. He also committed himself to a national minimum wage for "economic as well as moral grounds" to help low-paid workers.

Mr Blair also made a number of specific commitments, including: signing up to the Social Chapter of the European Union as soon as Labour came to office; giving the same legal rights to part-time workers as to full-time workers; and giving all workers the right to belong to a trade union with legal recognition for trade unions where substantial number of workers wanted it. Increasingly confident as his speech went on, Mr Blair also called for the creation of a comprehensive nursery education and child care system.

# Factory output prices subdued

**By Peter Norman, Economics Editor**

Britain's producer price figures for May presented a mixed picture of inflationary trends, with subdued price rises for finished goods somewhat overshadowed by an upturn in the cost of fuel and raw materials.

The Central Statistical Office reported that the price of goods from UK factories in May increased at the lowest annual rate since December 1986, suggesting no immediate danger of output prices boosting consumer price inflation.

But prices for materials and fuel purchased by industry showed their fourth consecutive seasonally-adjusted, month-on-month increase, reflecting higher oil and commodity prices. This brought to a halt a six-month period in which input prices had fallen compared with the same month a year before.

The output price index, which is not seasonally adjusted, increased by 0.1 per cent between April and May and was up 2 per cent in May compared with May last year.

Excluding food, beverages, tobacco and petroleum, the output index – this time seasonally adjusted – was also up by 0.1 per cent on the month and 2 per cent on the year.

The CSO said this index, a good guide to underlying trends, showed an annualised increase of only 1.1 per cent in the three months to the end of May compared with the previous three months. By contrast, the seasonally-adjusted index for input prices increased by 0.9 per cent in May compared with April. On an unadjusted basis the input price index rose 0.7 per cent during the month and was unchanged compared with May last year.

## Britain in brief

### Rail strike threat from tonight

**Britain's railway signalmen are set to strike for 24 hours from midnight tonight in a move which threatens to paralyse the railway network.**

Talks between the RMT rail union and Railtrack, the company responsible for administering the network, broke up yesterday after half an hour when the union negotiators walked out after signalmen were offered a pay rise of 2.5 per cent plus measures involving job evaluation, a new salary structure and introduction of flexible working.

Mr Jimmy Knapp, RMT general secretary, said Railtrack's behaviour had been "absolutely reprehensible". Union negotiators said Railtrack had withdrawn a 3.7 per cent pay offer it had presented last week. Railtrack chairman, Mr Robert Horton, said he hoped "the RMT will recognise that the only realistic way forward is to sit down and start talking". A strike would shut down the entire network, according to train operating companies set up after the break up of British Rail.

### Lucas plans wiring plant

Automotive components manufacturer Lucas Industries has confirmed that it is setting up a plant making wiring harnesses at Houghton-le-Spring, near Sunderland, Tyne and Wear.

The project's first phase, worth around £10m, will create 650 full time jobs. A proposed factory extension could increase this to 1,000 and raise total investment to between £15m and 20m.

Lucas SEI Wiring Systems, a joint venture between the UK group and Sumitomo Electric Industries of Japan, has three manufacturing plants in South Wales and Staffordshire employing 2,900, supplying Rover, Honda and Toyota. Lucas said these sites were unaffected by the new investment, needed to meet increased demand from Rover.

Although Lucas is one of the top five European suppliers to Nissan's Sunderland plant, it does not supply it with wiring harnesses. Nissan said it was discussing with Lucas the possibility of sourcing supplies from the new plant.

### Oil optimism 'justified'

Excitement surrounding recent oil finds in deep water west of the Shetland Islands is justified, but one of the companies involved says it is too early to determine whether full-scale development will be undertaken. Mr Heinz Rothermund, managing director of Shell UK Exploration and Production, a partner along with British Petroleum in the Foinaven and Schiehallion fields, said the companies plan to begin production as early as next year using a floating production system.

In the opening address at the FT's North Sea conference in London, Mr Rothermund said the area was "full of promise" in spite of difficult operating conditions.

Speakers at the conference agreed that the west of Shetlands was the only likely area of the UK Continental shelf where new big oil fields remain to be discovered.

But they expressed optimism that production from mature North Sea fields could be maintained at relatively high levels through cost reduction, technical innovation and the growing ability to connect smaller reserves to existing infrastructure.

### Some unions 'face ruin'

Some of Britain's trade unions will suffer financial collapse over the next two years, according to Mr John Edmonds, general secretary of the GMB general union. He forecast "a number of gaps that we and the other survivors must fill." It is believed that Mr Edmonds was thinking among others of Ucatt, the construction union which has severe financial problems and is at present in merger talks.

### Home loan arrears fall

The number of households in arrears with their mortgages has fallen by almost a quarter in the past year, according to a recent survey. Households with mortgage arrears of two months or more fell to 613,300 in the year to March 31 1994 from 800,150. One in 17 householders is behind with their mortgage compared with one in 13 a year ago.

Banks, insurers and building societies all have similar levels of arrears, at around 5 per cent of loans, but centralised lenders who entered the market in the 1980s average more than 15 per cent arrears levels.

The annual survey is compiled by Ms Janet Ford of Loughborough University.

### Preaching to the converted

The operating and financial review, the new guidance on commentary in accounts designed to explain a company's performance in words, is primarily understandable only by professional investors, a survey suggests.

Analysts and investors believe non-professional readers of accounts will not bother to read nor be able to use the information in the review, according to the survey by the Institute of Chartered Accountants of Scotland.

The £550m Toyota plant at Burnaston has produced fewer benefits than politicians and planners expected Photograph: Trevor Humphries

# Toyota impact less than hoped

**By Paul Cheeseright**

The economic effects of Toyota's new £550m car plant at Burnaston, Derbyshire, have so far been considerably less than politicians and planners expected when the project was first announced in 1989. Assumptions that Toyota's presence would induce other companies to establish plants in the Midlands have been unfounded.

These assessments are contained in a report, yet to be published, commissioned by the departments of environment and employment and by local authorities in the Midlands. "The indications in relation to wider economic changes are that the actual impacts from Toyota have been relatively limited," according to Ecotec, author of the report.

Production started at the Toyota plant in late 1992. About 2,600 jobs have been created, 1,800 at Burnaston and about 800 indirectly. But, said Mr David Slee, Staffordshire development director: "Extra employment has only partially compensated for major job losses at firms such as Rolls-Royce and Pirelli."

Ecotec attributed the limited inward investment to the limited production volumes, as Toyota builds up production; the fact that that Toyota has not yet fully adopted a "just-in-time" system of delivery; and excess capacity among component suppliers.

Inward investment projects have used 32 acres of land but Staffordshire and Derbyshire had made provision for Toyota-related developments to use 642 acres. A similar miscalculation took place with housing. "It seems unlikely that the additional housing demand which has been generated amounts to more than 500 units. That compares with allocations of 6,700 houses," Ecotec said.

# TECHNOLOGY

**Ian Hamilton Fazey** describes why Royal Dutch/Shell is spending £70m on an R&D overhaul

## Keeping the engine running smoothly

When Formula One racing cars were allowed to carry only a fixed amount of fuel to get them through a race, many used to succumb to dry tanks in the closing stages.

The answer to improving fuel economy was engine oil. By making it thinner, viscosity was lower, so the engine turned slightly more freely and needed less fuel for the same speed. The consequence was about one lap's extra travel per race – the difference between winning and losing.

Carrying this principle to the ordinary car or truck on the ordinary road is, however, more difficult than it appears. Road vehicles have to last years, not the two hours of an F1 race. Thinner oils that get even thinner as engine temperature rises are no aid to longevity; volatility increases, so oil and vapour seep up the cylinder into the combustion chamber where they burn, possibly leading to smoking, particle-laden exhaust fumes.

The Anglo-Dutch company Royal Dutch/Shell demonstrates the dangers on a test-bed using a 10-litre Volvo truck diesel engine. To solve the problem, chemicals must be added to control the viscosity of the oil and stabilise the range of its volatility – in effect to limit how thin it can get and how much can evaporate above the piston head.

Motorists may grumble that this sort of work will inevitably make engine oils more expensive, but Shell says it is not so much selling high-tech oil as commercial benefits worth much more. Like all leading oil companies it claims to be responding to trends in market demand.

Car manufacturers and most drivers want improved fuel economy, reduced oil consumption, longer lasting oil at higher temperatures, fewer oil changes, extended engine life, lower particle and noxious exhaust emissions, and more care for the environment.

The benefits have been creeping up on us almost unnoticed, so that we already take many for granted. "When did you last have a car that needed a decoke?" asks Andrew Scott, head of engineering services at Shell's main UK research centre at Thornton, near Ellesmere Port in Cheshire.

He and David Parkes, Thornton's managing director, were elaborating on Shell's decision last month to spend £70m over seven years modernising and expanding the research centre, which is Shell's world headquarters for studying what happens to fuels and lubricants inside internal combustion engines.

The investment in Thornton will be one of the biggest single cash injections yet in UK-based research and development. Shell has 15 complexes of laboratories worldwide with Thornton one of the largest.

It currently employs 600 staff with a wide range of scientific skills. By the end of next year it will take in 140 extra scientists from another research centre in Sittingbourne, Kent, which Shell is closing.

### The Cheshire centre's main work stems from its original wartime role

The Cheshire centre's main work stems from its original wartime role – it was founded in 1940 – developing fuels and lubricants for the Allied air forces and tanks fighting in North Africa.

However, it has also become one of the world's foremost centres for combustion science and hazard analysis, where its work on gas explosions in confined spaces has made for safer design of offshore oil and gas platforms since the Piper Alpha disaster in 1988. The Sittingbourne scientists will add environmental and additives synthesis research to Thornton's portfolio.

The £70m will mainly be spent replacing a large number of old buildings with a smaller number of bigger laboratory wings, linked by communal support services. Additions will include a new product development and testing centre, as well as a visitor centre to improve public relations.

Although this will confirm Thornton's position as the group's prime laboratory for research and development in oil products, there is a great deal of hard-headed commercial nous behind the decision, apart from merely adding to prestige.

There was debate within Shell about whether to build on a green-field site, rather than extending Thornton in the shadow of the giant Stanlow refinery. This would have cost twice as much, but would a more bucolic environment lead to better work?

Most of Thornton is surrounded by the green fields of Cheshire anyway – and, the argument went, it would do no harm to remind scientists of what they were there for by having Stanlow next door.

What was crucial, senior management argued, was to get away from a "rabbit hutch" image of having people scattered about in small, individual buildings. Thornton's buildings have been numbered sequentially as they have been constructed; the site is now up to building number 205 in 54 years as new ones have replaced old ones.

Parkes says the design of the new Thornton will bring people into closer contact in the communal services areas, promoting the exchange of ideas and creativity. He also thinks a more pleasant environment will help attract and retain staff. He believes all this should help teamwork and the pursuit of collective, commercial goals. "One of the problems of industrial R&D is to extend the customer-contract principle into the laboratory," says Parkes.

Although "blue sky" research still accounts for 10 per cent of the budget, most of these customers have a market to sell to, such as millions of motorists – and even the odd Formula One racing team.

Bruce Reedy

Craig Venter: 'I feel a major social and scientific responsibility to patent'

## Gene genie

**Deborah Shapley** on one scientist's potentially revolutionary effect on genetic-related business

Craig Venter, one of America's leading gene researchers, does not appear stung by having been likened to a monkey operating a machine or by the fact that the insult came from a pioneer of modern molecular biology, James Watson.

More than two years after Watson criticised Venter's plans to find the chemical sequence of human genetic DNA, Venter is busy in his new, non profit-making Institute for Genomic Research in Gaithersburg, Maryland, a few miles from the government's National Institutes of Health, where he pioneered the rapid identification of human genes.

Venter, finding that he could not expand his gene sequencing work at NIH, now works for private industry. He is confident that his team will identify virtually all human genes within a few years and is seeking patents to turn this knowledge into a revolutionary range of diagnostic tests and therapies.

Since Venter raised the possibility of identifying and patenting large amounts of human genetic material in 1991, he has been criticised by other scientists. For many years, university and government researchers have made the DNA and protein sequences they discover publicly available in data banks.

But Venter's innovations changed the terms of gene science. In 1989 at NIH, Venter discovered how to use automated sequencing machines on a large scale to identify short strands of complementary DNA, or cDNA, which is produced when genes hidden in the chromosome become active. Venter harnessed powerful computers to match his DNA strands with known ones and with DNA from other organisms. In this way he could work out the structure of the longer gene which his bit of cDNA came from. This made the hitherto painstaking work of gene hunting possible on a vast scale.

At NIH, Venter applied his technique to his own neurological research but his proposals to expand the work were rejected twice by Watson's Human Genome Centre, also at NIH.

Gene hunters usually proceed by identifying a function or disease, locating a likely chromosome and region where the gene might be found, and working along the chromosomal DNA, which is millions of base pairs (chemical units) long. While this identifies each pair of "beads" along the chromosomal "necklace" and extends knowledge of function, it is time-consuming and costly. Venter's method short-cuts to the gene itself – not necessarily knowing anything about function or region – and accumulates masses of base pair data.

Other scientists criticised Venter's technique as "fast food" science. In December 1991 at a public meeting with members of Congress and the press Venter mentioned that NIH had filed for patents on 315 of his sequences. Watson rose to say that automatic sequence machines "could be run by monkeys".

If patents were sought on genes or parts of genes whose function was unknown, gene research would be tied in knots for years by patent litigation, he said. Watson was the chief of NIH's part of the quest to define the whole genome – all human genetic material – on which the US government expects to spend \$3bn (£2bn) by 2005. NIH director Bernadine Healy defended the patent filings. Watson resigned in April 1992 over this and other issues.

Venter also left NIH in 1992 when Wallace Steinberg, chief of Healthcare Investment Corporation, offered him \$70m over 10 years for a new non-profit institute, if Venter would give worldwide exclusive rights to his research to a companion profit-making biotech company. Venter's institute, known as TIGR, is funded by Steinberg's money (raised to \$85m) flowing through the new company, Human Genome Sciences.

The scale of TIGR and HGS's growing genetic library is awesome. Venter's institute runs 30 automatic sequence machines and HGS has another 50. In TIGR's lab, analysers and sequencers are arrayed in rows like an assembly line. Upstairs are the main computers: a Sun SparcCenter 2000 which keeps track of the DNA library, and a Maspar 2204 supercomputer which searches for similar sequences in public databases and analyses the DNA.

TIGR and HGS sequence 750,000 nucleotides per day. The NIH Genome Project, in contrast, expects to complete 1.5m nucleotides of finished sequence in the whole of 1995.

Using the classic approach, scientists around the world took 10 years to identify 3,000 human genes. Since January 1993, the Venter-HGS operation may have found as many as 30,000 genes; for it has more than 60,000 unique sequences, of which 4,500 were previously known in public databanks. Since there are an estimated 100,000 genes, HGS chairman William Haseltine says they will have a "virtually complete" set of human genes in "one to two years". The fact that the largest gene library will be in private hands will be equally revolutionary.

The company has arranged for SmithKline Beecham to have first call to develop the results, in exchange for access to \$125m. SB's support was the source of HGS's 1993 profit of \$1.8m on \$22m revenues. HGS and TIGR are not the only private gene-hunting operations in the private sector but they are the largest.

However, the US Patent Office rejected all the applications NIH filed on Venter's gene sequences. Rejection of all 25 filings that HGS has made would spell disaster for the venture. But Haseltine says HGS has applied on more complete sequences and whole genes and in all cases their utility is claimed. "We believe we will meet all the criteria for patentability," he says.

Meanwhile, he and Venter are arranging to make their research available publicly in ways that do not conflict with their ownership.

Venter is pleased with the turn of events. "I feel a major social and scientific responsibility to patent," he says. "I left NIH to change the starting point in science."

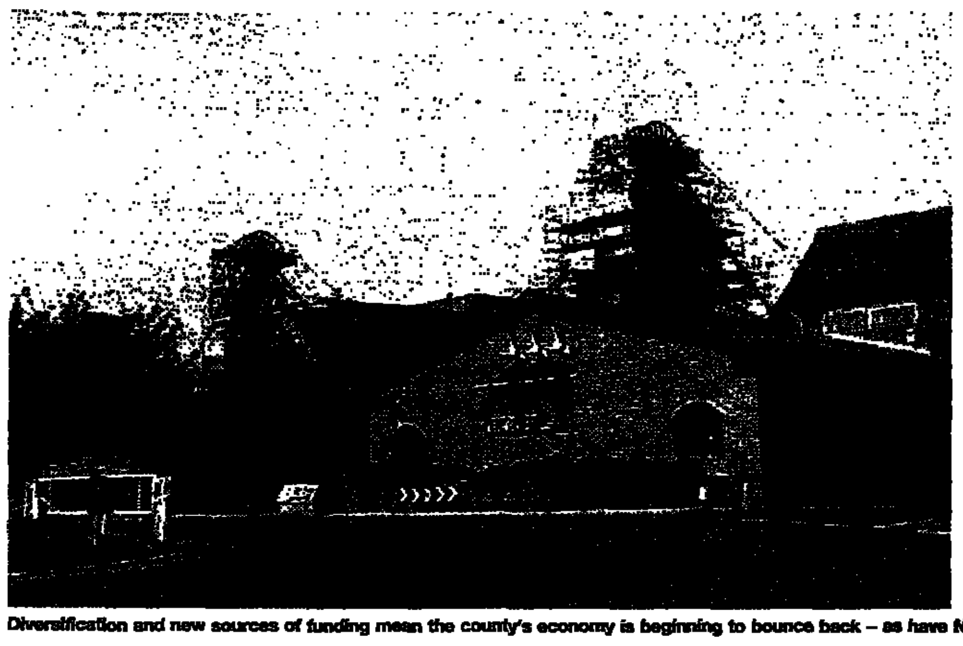
The outcome of what Venter calls his "giant business and social experiment" will be anything but dull. Other biotech start-up companies have seen their promise fade.

Following HGS's successful stock offering last December, Venter's shares in the company became worth about \$12m. But he could become even richer if the award of patents forces others to pay licence fees to bring about the expected gene-based revolution in medicine.

FINANCIAL TIMES SURVEY

# Nottinghamshire: regeneration of the coalfields

Tuesday June 14 1994




Diversification and new sources of funding mean the county's economy is beginning to bounce back – as have Nottingham Forest football team

## Base for expansion strengthens

### Growing financial and services sectors and the availability of new funding are paving the way for investment, says **Paul Cheeseright**

The Nottinghamshire economy faces challenges in the 1990s, the scale of which was never dreamed of in the 1980s when the future of the coalfield seemed secure. These challenges involve a shift away from reliance on traditional industries to an economy based more widely on services and light manufacturing.

The background is the sudden and drastic rundown of the coal industry as the power industry switches to the generation of electricity by gas, instead of by coal, its traditional fuel. The Nottinghamshire pits have been closely tied to the power generation industry.

From 1961 to 1992, the number of pits had been declining, but slowly. The number fell from 39 to 13 while the number of pit jobs fell from 56,000, or 18 per cent of county's male workforce to less than 12,000. This was part of a nationwide phenomenon.

But in the mid-1980s, after the end of the mineworkers strike and following the emergence during the strike of the Union of Democratic Mineworkers, the future of the rump of the industry looked secure.

Margaret Thatcher, then prime minister, seemed to owe the UDM, the members of which stayed at work during the strike, a political debt for breaking the power of the National Union of Mineworkers.

Within the last 18 months, however, since the announcement by Michael Heseltine, the trade and industry secretary in October 1992, of a further rundown in the coal industry, a further nine Nottinghamshire pits have closed. The workforce has declined to 3,200 and is expected to be 2,800 by September.

The county council believes at least £250m a year is being taken out of the economy, given the amount British Coal spent on wages and supplies.

Such a sharp change in the fortunes of the local coal industry would have been difficult enough for the economy to absorb in the best of circumstances.

But the rundown came when the economy was in recession. It coincided with the equally long-running problems of other staple industries: textiles, subject to intense overseas competition, and engineering where, also since the 1980s, there has been a decline in employment as employers have adopted new manufacturing techniques.

Overall, the effect has been to reduce the strength of the county economy. "In the early 1980s Notts had the highest gross domestic product of the five East Midlands counties," said Howard Jackson, director of the Nottinghamshire County Council's planning and economic development department.

"We've slumped next to bottom place over Derbyshire. We've seen Leicestershire and Northamptonshire comes up the list, becoming the two most prosperous counties."

In social terms, Nottinghamshire's problem has been exacerbated by the physical concentration of the mines in the north and west of the county, frequently in villages whose reason to exist has been the pit, where the winding gear looks down on the estates of redbrick homes. Only Cotgrave has been in the south of the county.

But the north and west also have concentrations of engineering and textiles companies. Unemployment has been consistently above the national average and in Mansfield, the largest town affected, it is more than 16 per cent.

There are two immediate problems. The first is that of re-training redundant miners and fitting them back into the labour force of Nottinghamshire and the adjacent counties.

The second is helping existing companies firstly to withstand the financial problems of emerging from recession and then to expand or strengthen existing operations.

In the medium and longer term, the growth of the economy is dependent on diversification, especially in the north and west of the county.

What form this might take is unclear. In the south, around Nottingham, the process is well-advanced with the growth, for example, of financial services and the development of the city as an office centre. Once considered as headquarters for English Heritage the city has been chosen for an Inland Revenue development.

To help, a battery of services and funds is being made available, although Martin Gawith, deputy leader of the county council said that their work "certainly is not as co-ordinated as well as it ought to be or could be".

Assistance to the county is coming in at three levels. At the local level, the county council, the training and enterprise councils (Tecs), local enterprise agencies and British Coal Enterprise are playing a role not only in the provision of training and job advice services but also in the provision of venture capital and loans to small companies.

There has been some success in putting redundant miners back to work. British Coal Enterprise said it had been finding jobs at the rate of about 100 a week. But there is a difficulty. "Each agency knows what it deals with. We don't have the capacity between us to say 'OK, we've lost 9,000 jobs since October 1992'. Where are all these people? What are they doing? Who are they? There's a worry a lot of people are staying at home, who've got lost, who are very isolated. It's an unknown," said Pat Richards, chief executive of the North Nottinghamshire Training and Enterprise Council.

The second level of help comes at the national and regional level. The government has largely funded East Midlands Development, which will spearhead the regional drive for inward investment and whose developing activities are thus watched closely in Nottinghamshire.

The establishment this year of a new government office for the East Midlands, bringing together all departmental activities, should ease some co-ordination difficulties. It should prevent the sort of situation where, for example, the department of transport promises a level of funding for the Robin Hood railway line, to link Nottingham with Mansfield and Worksop, which the Treasury finds too high.

At a financial level, there should be funding for the county from the government's single regeneration budget, depending on the skill of local private-public sector partnerships in putting bids together. Amounts are unclear.

However, the government's designation of the north and west as an assisted area opens up the way for subsidies to companies creating jobs. It also smooths the way for the authorities in seeking funds from the European Union for specific projects.

This European funding is the third level of assistance and the Nottinghamshire Council has calculated that there could be £65m available over the next three years.

Growth trends seem linked in the immediate future to industries which are already established. The arrival in Mansfield of Toray Textiles, the Japanese group, and the decision by Johnson Controls, the US company, to make car seat covers in the town offer an immediate boost to the textiles industry and have opened up the possibility of a new industrial concentration.

"One company or group of companies can be the focal point around which others can circulate," said John Finch, chief executive of East Midlands Enterprise. But such arrivals are rare and officials observe that the main stimulus to counteracting the rundown of the coalfield will be a national economic recovery.

Surveys have shown that in Nottinghamshire, as elsewhere, order books are fattening and profitability has started to improve. The ground is ready for economic expansion. That, in its turn is the prerequisite for the sort of sustained corporate investment which would underpin the shift away from the historic dependence on the coalfield.

Services sector growth is not fast enough, says **Paul Cheeseright**

# Process still painful

The rundown of the county coalfield is both part of a long-term trend and a manifestation of a realignment in the county economy. The trend away from traditional industries and the growing emphasis on light manufacture and services is thus part of a wider national phenomenon, but no less painful for that.

Seen in crude figures for employment covering the whole of the county, jobs lost in the collieries during the 1980s were amply offset by the rise in the number of jobs available in the services sector. This has emerged in the growth of local financial, distribution and catering services and the expansion of jobs in education, health and public administration.

But the county figures tell only part of the story. In the first place, the growth in the financial services sector has been marked in the south of the county, around Nottingham. With one exception, Cotgrave, the working mines of the 1990s have been in the east and north of the county. There is thus some geographical mismatch between those needing jobs and those readily able to provide them.

Analysis of the latest unemployment figures, as the national economy moves out of recession, shows falls in the areas around Nottingham and Newark, a significant manufacturing centre. But there have been rises in the areas where coalmining has been the dominant economic influence.

**The coalfield's rundown cannot be seen only in geographical terms**

Second, the speed of closures since the government's first announcement of major changes at British Coal in October 1992 has upset any notions of a cosy trade-off in jobs between one sector and another.

Between 1961 and 1992, 44,000 colliery jobs and 26 pits were lost. In the last 18 months, more than 8600 jobs and nine pits were lost.

As elsewhere in the UK, the role of the services sector has been growing in the county economy. It now accounts for 62 per cent of jobs. But the growth has not been quick enough to absorb a sudden influx of people on to the labour market.

Third, the mines have been a source of well-paid employment. "All mineworkers getting other jobs can expect to have drop in pay – the vast majority at any rate," said Winsor Lewis, Midlands regional manager of British Coal Enterprise.

This has been borne out by a survey of former Silverhill miners, carried out by the Coalfield Communities Campaign. This showed a fall in average weekly pay from £243 to £149. It showed that half of the new jobs won by former miners were in factories and warehouses.

These three factors provide a pattern of a well-paid and concentrated industry, frequently in relatively isolated pockets away from the growth areas of the county economy.

Yet the rundown of the coalfield cannot be seen in narrow geographical terms. The spending power of the individual miner may have been brought to bear in particular localities, but the spending power of British Coal influenced much wider areas.

The withdrawal of much of that spending has not yet been fully quantified. But in recent months there has been a series of redundancy announcements at companies adjusting to the loss of British Coal demand. Herbert Cotterill, Dale Group, Longwall Roof Support Repairs are cases in point.

Last November, Nottingham Trent University contacted 26 companies supplying British Coal. It found that half had scaled down their investment intentions and had, on average, reduced numbers on the payroll by 15 per cent. Companies highly dependent on British Coal were having difficulties in securing bank loans.

But the uncertainty among British Coal suppliers is matched by uncertainty about the fate of its customers for the remaining collieries. The Nottinghamshire pits have been reliant on coal-fired power stations, of which there are five in the county alongside the River Trent.

The switch from coal-fired to gas-fired power stations makes the future of these power stations, and possibly 1,500 jobs, unclear. Any closures would have an effect on the future of the coal rail freight network.

Such changes would speed the reduction of the county's traditional industrial base. The problem arising from the coalfield closures is that, latterly, they have come too quickly for the economy easily to adjust to the extra twist of change.

This is made more difficult to handle because of a longer term downturn in the number of jobs provided by the textile and engineering industries.

Between 1981 and 1991, that is just after the recession had started to bite, employment in the metal goods, engineering and vehicles sector fell 27 per cent and in the "other manufacturing" sector, which includes textiles, it fell by 21 per cent.

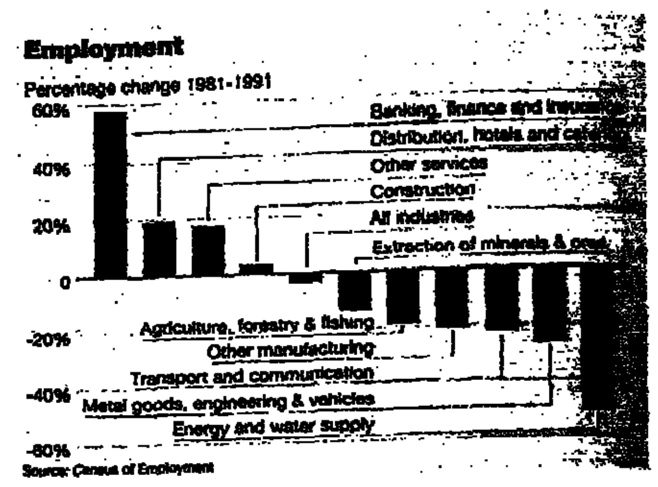
Further, the speed at which small companies were growing throughout the 1980s was slower than the national average. The growth in the number of businesses registered for VAT was 20.7 per cent for Nottinghamshire, against 27.2 per cent for the East Midlands and 28.4 per cent for the UK.

So when the future of the coalfield was thrown into doubt, the county's economic position was relatively weak. Phil Asquith, director of economic development at Mansfield District Council, referring to two inward investments, said: "Each step forward, like bringing in Toray and Johnson Controls, and the government shuts another pit – so its like walking the wrong way on a moving pavement at an airport."

**Colliery employment**

| Collieries | Oct 1992 BC figures | April 1994 Estimates | Sept 1994 Estimates |
|---|---|---|---|
| **Permanently closed** | | | |
| Bevercotes | 800 | 0 | 0 |
| Cotgrave | 620 | 0 | 0 |
| Manton | 737 | 0 | 0 |
| Ollerton | 1,019 | 0 | 0 |
| Rufford | 806 | 0 | 0 |
| Silverhill | 817 | 0 | 0 |
| Employment | 4,406 | 0 | 0 |
| Job losses | | 4,406 | 4,406 |
| **Operational BC** | | | |
| Bilsthorpe | 935 | 540 | 480 |
| Harworth | 1,203 | 835 | 550 |
| Thoresby | 1,212 | 851 | 600 |
| Welbeck | 1,057 | 757 | 750 |
| Employment | 4,407 | 2,983 | 2,380 |
| Job losses | | 1,424 | 2,027 |
| **Reopening on lease** | | | |
| Clipstone (reopened) | 967 | 200 | 240 |
| Calverton (reopened) | 752 | 0 | 200 |
| Annesley/Bentinck (mothballed) | 879 | 0 | 0 |
| Employment | 2,598 | 200 | 4,40 |
| Job losses | | 2,398 | 2,158 |
| **Totals** | | | |
| Employment | 11,811 | 3,183 | 2,820 |
| Job losses | | 8,628 | 8,991 |

Source: Nottinghamshire County Council



Source: Census of Employment

The county's coalfield has fared better than most, says **Michael Smith**

# Private prospects are good

Nottinghamshire, understandably, is grieving. To many miners it must seem that their industry has been virtually wiped out. But as their former colleagues in other areas can tell them, it could have been a lot worse.

Nottinghamshire may have just six working pits left compared with several hundred in the mining heyday of the early twentieth century and 25 just 10 year ago. But that is six more than the north-east of England and Kent, for example, both of which were once proud deep mine regions but now have none in operation.

Leaving aside the tiny mines of the Welsh valleys, Nottinghamshire has a quarter of the total 16 mines that are being sold by the government in five "core" regions. It also has two pits, Calverton and Clipstone, which have been re-opened under licence this year by RJB Mining, the private coal company, after being rejected as unprofitable by British Coal.

In addition Nottinghamshire is the headquarters of several companies and organisations that either will or want to play a role in the privatised industry. The Union of Democratic Mineworkers and Caledonian Mining are among those considering bids for at least one of the five regions.

The government has decided that the Coal Authority, which will be responsible for licensing all coal mining activities in the UK and for maintaining mining records, will be based in Nottinghamshire.

That the county's deep mining industry has survived at all, albeit in a truncated form, is partly because of the relatively thick and accessible seams of coal available in the centre of the country.

Being close to the UK's biggest concentration of remaining coal-fired power stations in Yorkshire and Nottinghamshire has helped.

Also influential has been the political debt owed by the government to miners who continued to work during the 1984-5 national pits strike. Most of working miners were based in Nottinghamshire and most of them subsequently joined the Union of Democratic Mineworkers when it was set up as a breakaway from the National Union of Mineworkers in 1985.

**Nottinghamshire miners have shown they are willing to adapt**

The UDM's leaders have had considerable access to ministers and they have used it to good effect. The decline of the UDM and its Nottinghamshire heartland has been marked since its formation in 1985, but not nearly so severe as that of the NUM and the national industry.

While UDM-controlled pits have shrunk to about a quarter of their 1985 total of 25, the number of pits in the industry as a whole has fallen from 170 to about 24, a sevenfold decline.

"The UDM and Nottinghamshire has been protected by the government, to some extent at least," according to one former British Coal executive. "But it is only partly because of the political debt from the strike. The fact is that Nottinghamshire miners have shown time and again that they were willing to adapt to changed circumstances.

"They have always been more flexible about working hours than colleagues in other areas, for example."

That willingness was demonstrated again recently when more than 90 per cent of Notts miners accepted a package giving them a £6,000 lump sum payment provided they accepted the 12-hour shifts and compulsory weekend work.

In the central north region, which has nine mines less and is based in Yorkshire, less than 50 per cent agreed to the package which also provides a maximum redundancy package of £27,000.

In one sense the disparity between the acceptance rates should make central south – which comprises the four Nottinghamshire mines of Bilsthorpe, Harworth, Thoresby, and Welbeck, with Asfordby in Leicestershire, and Daw Mill, in Warwickshire – more attractive to potential bidders than central north.

In another sense it will make it less attractive. Owners of central north would face redundancy bills of less than £7,000 per worker if they decide to make reductions among those who have not accepted British Coal's package.

What is not in doubt, however, is central south's saleability. The government may not get much money for any of the five British Coal regions it is divesting but there are enough potential buyers around to ensure that each will be find a buyer.

In all, 33 companies have told NM Rothschild, advising the government, that they want to pre-qualify to bid for at least one of the packages. Rothschild will not say how many have sought to pre-qualify for central south.

However, it is understood that the list includes RJB Mining, a conglomerate comprising the UDM and Coal Investments, a company headed by Malcolm Edwards, a management buy-out consortium headed by Bob Siddall, British Coal opencast director, and RTZ, the international mining conglomerate.

The package's attractions include stockpiles of 5.2m tonnes and contracts to sell the two main electricity generators 11m to 12m tonnes of coal a year until 1998. It also has five opencast sites, all outside Nottinghamshire.

Reserves amount to about 220m tonnes compared with annual output in 1993-4 of 11.5m tonnes. But that does not mean that all the mines in the package will survive into the next century.

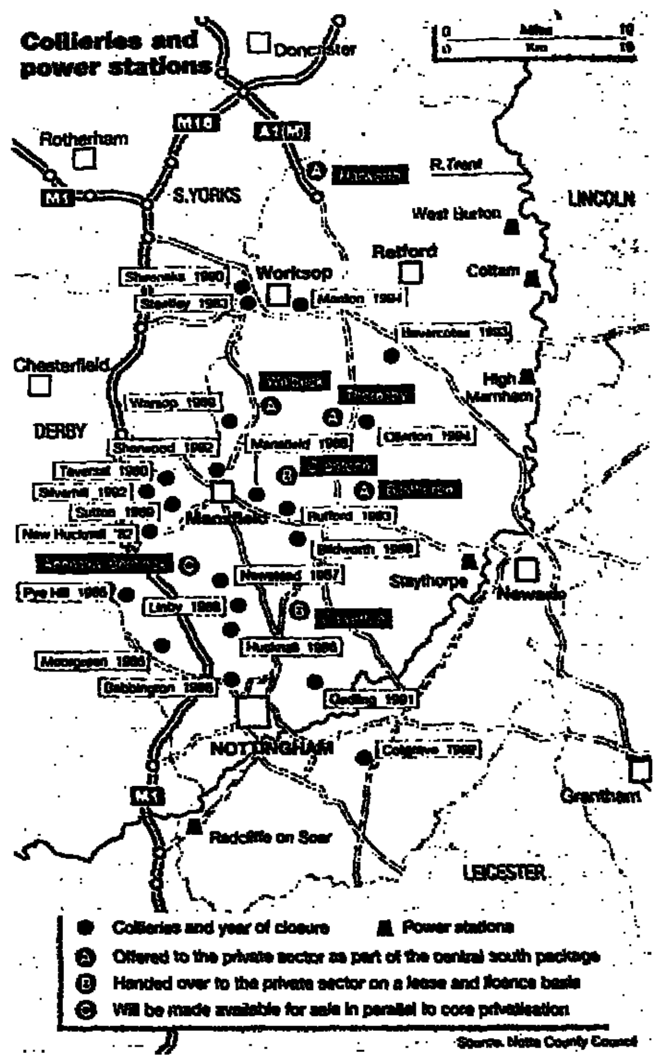
Harworth is thought to have 60 to 70 years of reserves but Bilsthorpe is unlikely to last more than three to four years unless large sums are spent on finding access to new seams. Nor can there be any guarantees about the future of the two former British Coal mines which are already being operated by RJB.

Richard Budge, chief executive, says the mines are exceeding their production and productivity targets and that there is no problem in finding them a market. Others remain to be convinced.

British Coal executives accept that there may be a market for about six pits that it has closed. But up to nine are being opened around the country. Neil Clarke, British Coal chairman, has warned that there could be casualties.

That is far too pessimistic, according to the private sector miners, including RJB.

Nonetheless there are few who doubt that further contraction is to come in the mining industry. Nottinghamshire's six mines may be good for a few years yet. But it is doubtful that the county will retain jobs for all 3,500 miners still in employment. Demands for increases in productivity in the mines now owned by British Coal will see to that.



Source: Notts County Council

**Paul Cheeseright** finds the area is now eligible for UK and EU help

# Gates open to financing

The economic plight of the Nottinghamshire coalfield has raised the eligibility of the area for a bewildering battery of finance from both the UK government and from the European Union. It has spurred the activity of local agencies fostering economic revival.

The October 1992 announcement of coal mine closures by Michael Heseltine, the trade and industry secretary, was accompanied by promises of assistance from the government, some of which has materialised, some of which has yet to appear.

**Subsidies also help attract inward investment**

Last year's redrawing of the UK Assisted Areas map left the Mansfield travel-to-work area, the largest town affected by the coalfield problems, as a development area. Ashfield, on the east side of the county, Worksop and Retford are intermediate areas.

This designation, by the department of trade and industry, allows companies, either in or coming to the area, subsidies for projects which maintain or increase the number of jobs. The status provides an additional inducement to potential inward investors.

The government has also promised extra help through fresh funding for North Nottinghamshire training and enterprise council. One tranche of this has been secured. The Tec has signed a contract with the government which over two years and at a cost of £7m will provide training and support for miners from the Bevercotes, Clipstone and Silverhill pits.

A further contract, covering the miners from the Bentinck-Annesley and Ollerton pits which is yet to be signed will provide roughly the same amount of funding as the first agreement. Given that the Tec's usual budget is £20m a year, the extra sums represent a considerable financial uplift.

In a third move, the government overcame its antipathy towards an economic stimulation device of the early 1980s and promised to set up enterprise zones. Companies setting up within them will benefit from an exemption from the uniform business rate, capital allowances on new buildings and relaxed planning controls.

But progress has been slow and statutory procedures allowing their opening will not be completed until the autumn. In fact, the acreage allotted to the zones is less than had been hoped for locally.

There will be three: one of 165 acres next to Junction 27 of the M1, which will probably end up as a business park, another of 45 acres on the site of the old Mansfield colliery and a third of 40 acres on the site of the old Manton colliery.

Mansfield District Council has set its criteria for use of its zone. "We wanted to avoid moving jobs from one part of Mansfield to another," said Phil Asquith, head of economic development. "New projects must create, per acre, 25 new jobs in the district of Mansfield, although not necessarily in the enterprise zone."

Further government funding will become available through the Single Regeneration Budget, administered through the government's regional office. How much is not clear.

The amounts will depend on the skill of local groups in assembling public-private-voluntary partnerships to run specific projects. The government is introducing competition in order to sort out bids from across the country for a limited pot of funds.

"Cash is tight this year," says Mr Asquith. Mansfield, however, is pulling together "an area bid which focuses into neighbourhood bids. The government is looking not just for a wish list – it wants projects to hang together, as does English Partnerships".

The aim is to bring together different sectors of the community and to make sure that the private sector plays its role in the wider regeneration process. This inevitably means a widening role for agencies where the public and private sectors come together, such as Mansfield 2010, Nottingham Development Enterprise and the Mansfield, Sutton and Kirkby Enterprise Partnership.

English Partnerships now controls regeneration funding such as the old derelict land grant. "We used to do well with the derelict land grant. We're waiting to see what will be given now. There were no major schemes in 1993-94," said Howard Jackson, director of the county council's planning and economic development department.

**Motoko Rich** looks at the effects pit closure have had on Cotgrave

# A way of life transformed

When the last tower was blasted from the Cotgrave colliery pit two months ago, a crowd gathered on the grassy knoll overlooking the scratched earth below. Vernon Coaker, vice-chairman of the town council in this village, about six miles south-east of Nottingham, remembers one man saying: "What an unbelievable act of industrial vandalism."

When the pit was closed, 609 miners – 218 of them from Cotgrave – lost the jobs they had been promised would last through their grandchildren's lifetime. Many are still unemployed and those who have found work have often taken pay cuts as a result of a move into unskilled labour. "You have a lot of people with engineering and mechanical skills who are just not using them," said Mr Coaker. "It is such a waste of talent and experience."

At the height of its production, the colliery employed 2,000 miners. More than 35 per cent of the town's families have relatives who worked in the mine at some time during its life. The coming of the pit transformed Cotgrave. Sitting incongruously in the middle of Nottinghamshire's Green Belt in the heart of the constituency of Kenneth Clarke, chancellor of the exchequer, the colliery attracted miners from pits which had closed down in Scotland and the north of England.

After the pit was opened in 1964, Cotgrave transformed a rural population of 300 into a mining village of 8,000. Within 18 months of the colliery's first shift, a housing estate for the miners had been built up in an arc around the old village.

Mining, as the only industry in the village, gives Cotgrave its identity. "The pit was the social glue of the town," said Mr Coaker. "Everything revolved around the pit. People lived, worked and socialised together. It was a total commitment to a way of life."

Today, more than a year after Cotgrave's colliery shut down, the town is still a close-knit community where ex-miners tease each other in the Miners Welfare bar and neighbours call out friendly greetings to each other on the streets.

**Subtle changes have left concerns that the atmosphere created by the pit is deteriorating**

But subtle changes have left concerns that the atmosphere created by the pit is deteriorating. "We have a lot of commuters moving in who do not take part in the village," said Alan Brown, an ex-miner and a town councillor.

It is not just harmony within the village that is threatened. Individual families are suffering as well. "One woman from a young couple told me that since her husband left the pit, they have done nothing but argue," said Bryan Barrodale, Rector of the Cotgrave Anglican Parish.

For many wives of ex-miners, having their husbands out of work upsets dynamics in the home. "A lot of families were adjusted to living with three shifts at the mine," said Sheila Newham, wife of an ex-miner and former head of the Cotgrave Women's Action Group, which campaigned to keep the pit open. "Suddenly having their husbands at home all day is a big change. That is probably one reason why many women have gone to work."

Several Cotgrave women have taken jobs or started child minding. "Men are becoming house husbands and women are becoming the bread winners," said Ken Stobbard, another ex-miner from Calverton, a nearby pit, and a county councillor who is unemployed while his wife works.

The pit's closure has also highlighted Cotgrave's lack of services, such as a secondary school, cheap shops, and now, a bank. TSB closed down Cotgrave's only branch in April. Some local officials believe the speed of the pit's arrival may have distracted attention from plans to bring such resources to the village. "The pit cut across a lot of long term planning schemes, and the town never got a lot of the resources it deserved," said Eric Woolsey, a town and borough councillor.

Wasted talent: many in Cotgrave have had to move into unskilled labour since the pit closed

Another problem is that Cotgrave – traditionally surrounded by affluence – has not been eligible for assisted area status or EU funding. Officials are determined to take advantage of government money that is available in the wake of the pit closure. "If one good thing will come out of the pit shutting down it will be that we will get some of the services we should have had but never did," said Mr Coaker.

To date, the town has received £400,000 from the government's Coalfield Area Fund. With the money, Rushcliffe Borough Council has built six industrial units on the edge of the village which have been let to small businesses. Nottinghamshire County Council will use a portion of the money to build an additional four units on to the town's leisure centre, which is now being renovated.

The county council is also funneling money into Cotgrave through the "New Deal for Nottinghamshire", a county-wide response to pit closures in the area. The council has set aside money for training, traffic management, environmental improvement and job creation.

A month after the pit closed, Greater Nottinghamshire Tec opened an Opportunities Advice Centre to help the miners who had been made redundant and other local unemployed residents to find jobs and get training or further education in new fields.

It also provides a Citizens Advice Bureau service once a week. Benefit advice is by far the most sought after. When the centre opened, 577 people were registered unemployed in Cotgrave. Of these, 252 have been placed in jobs, leaving unemployment in the village running about 9 per cent, with 30 miners still using the centre's services. It has also helped some of the town's long-term unemployed to find jobs.

Government funding for the Opportunities Advice Centre will cease in May of 1995. Carl Leonard, Special Projects Manager for Greater Nottinghamshire Tec, said: "We will have an exit strategy. We won't just pull out the plug and go."

Coaker believes the centre is doing a good job, but arrived too late. "Why did they build a lifeboat when the ship was sinking?" he said.

While training people for new jobs is an immediate response to the pit closure, local officials want to bring new industry on to the pit site. British Coal and Rushcliffe Borough Council have produced a development brief for the colliery, where they hope one industrial or leisure developer will take over the whole site.

Local officials believe the site's rural location, and proximity to rail lines, makes it an ideal site for a large factory or leisure park. In 1995, the A46, which runs near the former colliery, will be turned into a dual carriageway and officials believe it will provide the infrastructure for industry.

Mr Coaker says: "Whatever happens here it won't produce the same amount of jobs that the pit did. However much you do you will never replace what has gone."

However, for ex-miners, what is important is the thought of a job. If new industry was built on the pit site, Peter Newham, a former miner from Cotgrave, says: "I would be one of the first on the door step applying for a job".

Many ex-miners are looking on the bright side

# Changing direction

"From my point of view, it was the best thing they ever did – closing down the pit," says Robert McDiarmid, a former miner at the Sherwood Colliery in Mansfield, Nottinghamshire. Mr McDiarmid now manages a local pub. "I am enjoying a new lease on life," he says.

Mr McDiarmid worked in the Sherwood Colliery for 20 years as a mechanic, chargeman fitter and a shift charger engineer. When the pit closed in February 1992, he was made redundant with 800 others. He had been down in the pit since the age of 16, although his father, also a miner, tried to dissuade him from taking a job there.

McDiarmid: enjoying a new lease on life

After the colliery closed, Mr McDiarmid took a "three month holiday" and then got in touch with a friend at Mansfield Brewery. The friend told him about an opening for an assistant manager at one of the brewery's licensed pubs, The Swan. He applied and got the job. He spent four months there before he moved to The Crown Hotel in Southwell, where he was manager for 16 months.

Two months ago, he returned to The Swan to take over as manager, heading up Mansfield Brewery's most profitable pub, which turns over more than £1m a year.

Mr McDiarmid says the job resembles the work he did at the pit. As a shift charge engineer at Sherwood Colliery in the last five years of his tenure he was responsible for the day to day mechanical operations of the pit and oversaw 40 men. At the pub he has a staff of 55. "The job here is about managing people, and the job I had before was about managing people," he says.

He admits he occasionally misses the camaraderie of the pit, but he does not miss the work. "The people who miss it are generally those who have found nothing else," he says.

It is difficult for many ex-miners to find satisfying jobs, because the skills they used in mining are not easy to transfer out of the pit. Peter Newham, a former ropes master splicer at the Cotgrave colliery, which closed down last April, replaced and maintained steel ropes on haulage installers in the mine. "There is no call for these skills elsewhere," he said.

Now he is a fish salesman in Loughbrough, a 15-mile drive from his home. What he misses most, he says, is the "laughs with the lads".

Many ex-miners yearn for the team spirit of the pit. "You miss the comradeship," said Alan Brown, an ex-miner and member of the Cotgrave town council. "You used to work with a team and you worked with the same men for years. You knew how they ticked, they knew how you ticked and you trusted them."

In addition to the personal losses, the financial blow has been significant. Mr Newham and his family moved to Cotgrave in 1987 from Bulwell when the Hucknall Colliery, where he had worked since 1979, was shut down. When he came to Nottinghamshire, he was told he would have a job for life, and his family took on a large mortgage. "Five years later, we were back in the same position," his wife Sheila said.

Many other families have been similarly affected by pit closures. "There are people who feel trapped because they were encouraged to buy properties and make commitments on the basis of salaries that no longer exist," said Bryan Barrodale, parish priest in Cotgrave.

Mr Barrodale said that the husband of a couple he recently married was a winding engineer at the colliery and is now a cheesemaker making 50 per cent less than he did at the mine.

When Mr Brown first took a redundancy from the Cotgrave colliery in 1989, he took a job as a part-time school caretaker. "It cost me more in petrol to get there than I was making," he said. Now he has a full time caretaker's job at Tollerton Primary School, about 10 miles from Cotgrave.

Still, he is making nothing like what he was earning in the pit. "We knew before we left the pit we would never get a job making that kind of money," said Mr Brown.

Even miners who have been able to get new jobs using their engineering or manufacturing skills have taken pay cuts. "Coal mining is one of the elite jobs in manufacturing," said Carl Leonard, Greater Nottinghamshire Tec's special projects manager in charge of communities affected by pit closures. "It is very difficult for the men to get jobs that have equivalent salaries because the job market has changed."

Mr Brown is sees the bright side, however. As a caretaker, he does not have to contend with the three shifts a week that mining required. "We used to call the 11:15 pm to 6:30 am shift the happy shift because we were so miserable," he said. "It is marvellous now to have a regular day shift. The kids say to me, 'why are you singing Mr Brown?' and I say 'of course I am – I am not working nights any more'."

**Motoko Rich**

The textiles industry offers good prospects for jobs

# A focus for revival

The textiles and clothing industry, so often associated with industrial decline in the face of low cost competitors, is emerging as one of the main immediate hopes for a revival of the Nottinghamshire economy.

This is partly defensive. Even if employment levels in the industry have been declining for decades, there are, says Howard Jackson, director of the county council's planning and economic development department, "27,000 still employed in clothing and textiles in Notts. We clearly can't afford to see that go down".

The industry's geographical location is also significant. Clothing and textiles are better represented in the coalfield area than in the national economy. But what seemed an industry of limited prospects has received a boost from the establishment of a plant in Mansfield by Toray Textiles Europe and the decision of Johnson Controls to manufacture car seat covers in the town. The task now is to turn these isolated inward investments into the core of growth.

Toray's site, in fact, is close to the forthcoming Mansfield enterprise zone and the district council has acquired 60 acres next door, opening up the possibility of a new textiles and clothing manufacturing district. Indeed, the council has started receiving investment enquiries from companies in the sector.

In the longer term, growth prospects are likely to depend on a strengthening ability to produce high quality products following the example of Germany in the rebuilding of its clothing industry.

The Nottinghamshire International Clothing Centre – developed by the county council but drawing extensively on the services of Nottingham Trent University – will be a focal point for the latest technology, design and practice in the industry.

Efforts to regenerate the textiles and clothing industry show the way in which the county is developing its infrastructure in order to extract faster growth. Because the economy cannot rely on inward investment but must depend on companies in business, the quickest way to generate growth is to support them and encourage diversification into more technologically advanced products.

Such growth is possible in the Nottinghamshire engineering industry which, with coal mining and textiles, has been a pillar of the traditional county economy. It will remain so despite the long term trend of lower job numbers and competition resulting from the strengthening of the EU's internal market.

The loss of the coal mine market has companies chasing new products. It is hoped Toyota's new car plant in Derbyshire will provide a new stimulus. But the speed of growth in the longer term will depend on strengthening the academic-industrial nexus. Although Nottingham University has its Highfield science park, facilities designed to profit from the research capabilities of the universities have not yet been expanded.

The universities have been active in research vital to regional industry – Nottingham University's work on composite materials for the automotive industry, for example – and they are becoming increasingly active in applying expertise to immediate economic problems – Nottingham Trent University's work in encouraging technology transfer in the north of the county is an example.

**Economic diversification is likely to come from the provision of services**

But experience elsewhere has shown that the quickest economic diversification is likely to come from the provision of services, in the way that Coventry sought to offset erosion of the manufacturing base by establishing a back office sector during the 1980s.

Thus importance is attached to the decision of the Inland Revenue to establish offices in Nottingham which open next year employing 2,000 people. Accountants and bankers in the city of Nottingham see considerable scope to expand the provision of financial services as none of the cities in the East Midlands has a dominant role such as that of Birmingham in the West Midlands.

But none of this is of relevance to a redundant miner in a village near Mansfield. In the north of the county, where sympathies often lie closer to Sheffield than Nottingham, Pat Richards, chief executive of the North Nottinghamshire Tec, sees "an emerging common vision".

This envisages a development project which would draw attention to the area and create jobs, such as Glasgow Hospital and the conference centre in Maastricht, Netherlands. How such a scheme might be funded is unclear.

Ideas about the nature of growth are therefore more clear for the medium and long-term than the short term, where corporate health and job prospects remain tightly linked to the movements of the national economy.

Hence the concern of agencies such as the Tec and British Coal Enterprise to help companies in the difficult process of emerging from recession and equipping former miners for jobs as they become available.

The demand for such a jobs service is clear. The Tec, at what it calls its gateways, received 27,655 visits between October 1993 and last April which resulted in more than 6,200 interviews.

The outcome was that 232 people were placed in jobs and a further 260 people were offered training and guidance of different types.

British Coal Enterprise said that it had been resettling miners at the rate of 100 a week either in jobs or retraining for a specific post. What it will not undertake is training on a speculative basis.

**Paul Cheeseright**

# Eligible for finance

Continued from page 2

Hopes of being able to obtain up to £5m during the last financial year from English Partnerships were thwarted, but the council hopes this year for funding of that order.

Other government bodies involved in the coalfield include the Rural Development Commission, which is active in small projects running from the recycling of furniture to housing advice and training.

The Rural Development Commission is part of an informal coalition of organisations which co-operate on an ad hoc basis to succour new and existing business. With British Coal Enterprise, the county council and North Nottinghamshire Tec, it is a source of venture capital and loan funding.

Amounts are small by the standards of private sector venture capitalists. The Tec, which, said Pat Richards, the chief executive, had supported 300 companies over the past two years, has a limit of £15,000 on the loans it will provide.

British Coal Enterprise has what it calls "250 live clients" in the Midlands – it does not keep its statistics on a county basis – and has funded 639 projects in all. It is prepared to provide loans of up to £1m and equity capital of between £25,000 and £250,000. Often the lending is unsecured. "We are very much at the risky end of the market," said Winsor Lewis, the Midlands regional manager.

This panoply of funding is significant in drawing in funds from Brussels. EU funding depends on the provision of local funding at a matching figure, so no UK involvement means no European involvement. In the past Nottinghamshire successfully attracted European finance through the Regional Development Fund for economically weak areas, the Social Fund, a source of money for training, Rechar, directed at restructuring coal mine areas and Retex, concentrating on areas where the textile industry has declined.

Council officials recently reported that Regional Development and Rechar could provide £65m of funding for appropriate programmes over the next three years. This would be a fillip to infrastructure projects as the county puts its economy on to a new tack.

# MANAGEMENT: THE GROWING BUSINESS

**Ian Hamilton Fazey** on a NatWest lending checklist

## Campari for accountants

If a National Westminster bank manager asks you in for Campari, he is not being sociable. As accountants in Greater Manchester have learnt recently, it is the acronym used by the UK high street bank for its lending decision checklist.

Stung by small-business complaints of harsh treatment by banks during the recession, NatWest decided to try to improve mutual understanding by explaining itself better.

"Open seminars for small businesses tend to be confrontational," says Trevor Adamson, director of the bank's Manchester region. "We felt we would achieve more by talking to accountants who act for small businesses."

To distance the bank further, he persuaded the local society of chartered accountants and Manchester chamber of commerce and industry to run jointly four seminars, which NatWest then sponsored as part of Adamson's local contribution in his year as chamber president.

Campari will never be the same again for the 140 accountants who have listened to Ian McIlveen's explanation of its meaning.

To McIlveen, who makes regional head office lending decisions for projects costing more than local branch managers' discretion limits, "C" is for character. Only businesses and projects of discernible good character will get their first tick on the checklist.

"A" is for ability – not just of the management to do what it says it will do, but also of professional advisers such as the accountant.

"M" is for means – not in terms of money, but the means and resources to run the business transparently so the bank can keep an eye on its investment. In particular, whether the business produces regular, up-to-date management accounts.

"P" is for purpose. There must be a clear reason for seeking money, with proper goals. This is where McIlveen also makes sure of legality, environmental considerations and the lender's potential liabilities.

"We like lending to things that are already under way," he says. This makes him wary of diversification: a business expanding in familiar territory is more likely to know how much extra working capital might be needed, or whether it needs more fixed assets.

"A" is for amount. McIlveen worries more about lending too little than too much, as it is difficult to lend more for the same thing later. The bank also wants the customer to be putting something in as evidence of being in earnest.

"R" is for repayment. "If we can't tick this, we might as well go home," McIlveen says. "There will be no more open-ended pledges, such as with overdrafts in the 1980s which never seemed to be reduced."

Finally, "I" is for interest, the price the bank is going to charge. Only at this point is security considered. McIlveen says security is necessary to reassure the bank's depositors and shareholders, but is not now seen as a prime requirement in lending.

"If you have to realise security, it costs so much to get your money back you lose all your profit and more," he says. "It is at the end of the checklist because the most important thing is whether the project stands up."

The accountants were generally happier to know where they and their small business clients stood and how to manage the relationship better, particularly as McIlveen also advised on how to approach bank managers.

Popping in for a vague chat about extending existing facilities is ill-advised; written business plans – enlivened by photographs – are encouraged, as are term loans at fixed interest rates. Only then will NatWest send someone to look round to start scoring "C" for character points.

Esmond Watson: claims his bank linked a request for an increased overdraft to discussions over his pension arrangements

## We have ways of making you buy

### Some bank branches are accused of using unfair pressure to sell financial products, writes **Peter Marsh**

The question is normally delicately put. Many small businessmen, in discussion with their bank managers over loans, are used to being asked whether they would like some insurance.

The key issue – both for the business executive and agencies trying to uphold banking standards – is whether the banks are taking unfair advantage of their influential position and possibly selling customers inappropriate products.

Behind the controversy are the efforts being made by most of Britain's high-street banks to step up sales of insurance and pension products to add to their traditional activities of organising loans and overdrafts.

One man convinced that banks routinely mis-sell insurance products is Bill Raynes, chairman of the National Federation of Independent Financial Advisers, and partner in Sheffield-based financial consultancy Raynes Hodder Davison.

He says banks use "intimidation, duress and coercion" to pressure customers into buying financial products that they either do not need or would do better to buy elsewhere.

Raynes denies he is bashing the banks because they are competitors to the 1,700 firms of financial advisers that his association represents. "I am passing on the stories that I hear from my member companies about banks' activities," he says.

What cannot be denied is that banks are often in a good position to sell such products, because of the leading role they play in the lives of many small businesses dependent on loan finance. In some cases, insurance protection may be required as part of the procedure for fixing up a loan, but head office rules decree that they should not overly push their own products.

In recent months evidence has emerged that banks do sometimes take advantage of their special position to "persuade" a customer that a specific life-product sold by the bank may be advantageous, especially if the bank has just ostensibly done the customer a good turn by arranging a loan.

Chris Eadie, the deputy banking ombudsman who investigates bank complaints, says he has looked at a number of cases of alleged mis-selling, involving both small businesses and individuals. The problem is difficult to quantify because of a lack of breakdown in the ombudsman's statistics. In 1992-93 the ombudsman investigated 1,081 complaints of all types, recommending that banks paid compensation in 36.4 per cent of cases.

The British Bankers' Association, the main UK banking trade body, says there have been "a few cases" of mis-selling. The bank managers involved are mainly "misguided and over-enthusiastic" rather than malicious, the association says.

As for individual banks, they deny charges of coercion. National Westminster, for instance, says its branches are always prepared to quote for business but "would never insist" that insurance was arranged through its own subsidiaries.

One complication is that small businesses may not always wish to complain. They may feel that money paid for the insurance product is a small price for favourable treatment.

One small businessman in the north-west of England who says he was in this difficult position claims the manager at his branch pressed him to take out two policies arranged through the bank's financial services subsidiary, both covering ill health. Each time the conversations about insurance came up when the bank manager was talking about his overdraft. "I felt I was being mugged," he says.

One person prepared to go public with his complaint – although his bank denies his claim – is Esmond Watson, owner of Middlesbrough-based Cleveland Camera Company, which runs two photographic shops in north-east England.

Watson says he was told by his manager at Yorkshire Bank that a request for a £10,000 addition to his £50,000 overdraft would be considered more favourably if he diverted some of the £6,000 a year going into his current personal pension to a new pension arranged by the bank.

Watson agreed to put £2,400 a year into a new pension arranged by Yorkshire Bank's financial services subsidiary with insurers Clerical Medical. He cut the annual payment in his existing pension scheme organised through Allied Dunbar, another insurer, to £3,600. Because of the start-up costs of the new pension, the switch is unlikely to have benefited Watson financially, according to independent financial experts.

Yorkshire Bank says it never put Watson under any pressure and that the switch was in his best interest. Linking discussions over loans to selling pensions "is not part of our policy", the banks says.

In a third case, the owner of a building company in London had become overdrawn on his £300,000 overdraft limit and was talking to his manager at Lloyds Bank about increasing it.

In a letter seen by the Financial Times, the bank told him it would continue to support him subject to several conditions, one of which involved taking out £750,000 worth of insurance covering the possibility of accident or ill health being suffered by himself or his business partner.

The cover had to be arranged through the bank's financial services subsidiary. After the businessman complained, the bank dropped the condition. Lloyds says the stipulation about going through the bank's financial services subsidiary should not have been made, as the customer should be allowed choice over such insurance.

Three questions arise for bank customers with a possible grouse:

- Is the insurance necessary? (In some cases where loans are being arranged insurance protection against death or ill health may be in the interests of both the customer and the bank.)
- Is the customer given the chance to shop around? (The bank should make clear that the customer can choose from other sellers.)
- Is the bank being neutral as regards its influential position on loans?

If the answer to any of the three questions is no, the office of the Banking Ombudsman (071 404 9944) will be eager to hear.

## Training at long distance

CD-Rom and cheap personal computers are increasingly providing large companies with an alternative to formal training through taught courses.

The combination of voice, video, text and graphics allows mangers to interact with the "computer-tutor" in a way that is proving effective and popular.

For large organisations the ability to offer staff this so-called "distance learning" is also cheap. Managers do not need to be ferried to training centres and housed. And once the course has been paid for, the company has a re-usable resource.

Now the opportunity to take advantage of this so-called distance learning is available to smaller companies. Some CD-Rom-based multimedia management courses can already be rented through TECs and training colleges.

Business Link Southern Derbyshire is one of several local business support agencies with titles available for rent on or off site.

One company, Xebec Multi Media Solutions, a Gloucestershire-based company, is already providing multimedia courses which cover topics such as the management of tasks, leading teams and business communication.

Its latest title, Money Business I, tackles the crucial question of how companies keep control of cashflow. Aimed at junior managers, the first module in the seven-hour course is little more advanced than the early training videos produced by Video Arts that featured John Cleese and Ronnie Corbett.

However, later modules within the course show the power of multimedia. Students change assumptions in cashflow forecasts and look at the implications of large orders on a company's need for working capital.

At £1,149, Xebec's Money Business course may not top every company's shopping list. But training via interactive multimedia systems is forecast to grow at a rapid rate.

**Richard Gourlay**

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## LEGAL NOTICES

No. 003280 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF ROXBORO GROUP PLC
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 23rd May 1994 for the confirmation of the cancellation of the share premium account of the above named Company by £49,488,196.76.

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 22nd day of June 1994.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 14th day of June 1994.
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors to the Company

No. 003281 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF RJB MINING PLC
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 23rd May 1994 for the confirmation of the reduction of the share premium account of the above named Company by £48,000,000.

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 22nd day of June 1994.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 14th day of June 1994.
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Attention: Mr Michael Richardson
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WestLB Investment (Hungaria) Rt
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(LAW 2206/94 GOV. GAZ. 62/20.4.94)

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4. The island of Crete.
5. The island of Rhodes at the Hotel of the Roses.
6. The island of Corfu.
7. The Porto Carras hotel complex in the County of Halkidiki.
8. The boundary limits of the Municipality of Loutraki-Perahora.
9. The County of Achaia.
10. The island of Syrus.

The objective of the invitation to tender is to establish casinos of high standard and to realise substantial investments that will benefit tourism in Greece and the national economy. The investments proposed by the candidates will be evaluated based on their contribution to the development of tourism in the country, as well as the upgrading of tourism in the areas where the casino enterprises will operate.

The establishment of facilities and special projects involving the tourist infrastructure, which will attract high class tourism to Greece such as Convention Tourism, Winter Tourism and Maritime Tourism (Yachting), will be especially evaluated.

Investors who wish to participate in the invitation to tender may obtain information at the address below:

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COMMITTEE FOR THE INTERNATIONAL INVITATION TO TENDER
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## BUSINESS AND THE LAW

# Clearing the way for capital

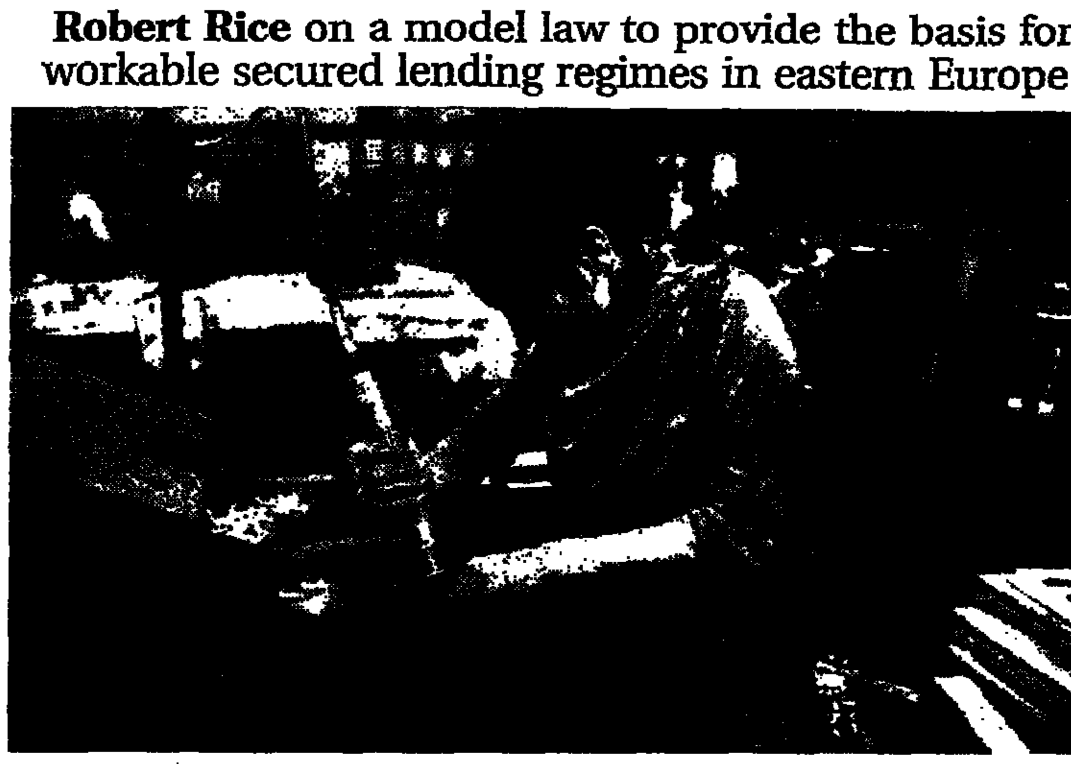
**Robert Rice** on a model law to provide the basis for workable secured lending regimes in eastern Europe

At the first annual meeting of the European Bank for Reconstruction and Development in Budapest in April 1992, Mr Andre Newburg, the bank's general counsel, raised a problem which was troubling international banks involved in financings in central and eastern Europe – how to take effective security over assets.

A legal framework for secured transactions is essential to creating an investor friendly climate so vital to the emerging and transitional market economies of central and eastern Europe.

The absence of workable laws on secured transactions restricts the availability of finance. Lenders will often only make funds available if payment is guaranteed by assets of the borrower. But most former communist states either do not have any rules on secured transactions or have to rely on rules dating from pre-communist regimes of the 1930s.

The EBRD decided it had to take a lead. Under a former Linklaters & Paines partner, Mr John Simpson, and a German lawyer, Jan-Hendrik Röver, it set up a Secured Transactions Project to draft a model law which could be used by these countries to shape a legal framework for secured lending.



Eastern European manufacturing desperately needs capital investment in new plant

Panos

The brief was to produce something which could interface with the current legal systems of these countries. Since most of these countries' legal systems have civil law origins, it was not possible simply to lift laws on secured lending from common law jurisdictions such as England and America. But, says Mr Simpson, the common law systems seemed to offer the best features.

"We had to produce quickly something sufficiently simple to be of practical use which bridged the gap between common and civil law systems, but was not heavily influenced by any one system and which could be adapted to their own law. Not so much a model as a template," he says.

They were helped by an advisory board of 20 lawyers from 15 jurisdictions, five of them drawn from the former communist countries. By the Bank's third annual meeting in St Petersburg in April this year the model was ready.

The model law is based on the idea of a single security right (a "charge") in respect of all types of things and rights. The distinction between various traditional types of security rights – such as pledges of moveables, pledges of rights and mortgages – is merged in one right.

A charge under the model is a property right and not a mere obligation. It entitles the person receiving security to enforce it by selling the things and rights taken as security and gives preference over unsecured creditors in insolvency proceedings.

The model is limited to securing business credits. There is great flexibility over how the parties can define the debt or debts which are secured and the things and rights which are given as security. In both cases they can be described specifically or generally, they can be present or future, and they can change during the life of the charge.

Under the model, charges should be a matter of public knowledge, with publicity achieved by requiring registration in a separate charges registry. Enforcement relies mainly on self-help, with the person holding the charge being given broad rights to sell the charged property as he feels appropriate.

To preserve the balance between creditor and debtor, however, the model gives a right to any interested party to apply to a court for protection and claim damages from the person enforcing the charge for any loss suffered as a result of wrongful or abusive enforcement.

Where the charge covers all a commercial enterprise's assets there is a further remedy of selling the business as a going concern.

The rules on the creation of charges introduces a general distinction between registered charges, which have to be registered at the charges' registry, possessory charges for which registration is not required but where the charge-holder takes and must retain possession of the charged property, and unpaid vendors' charges which protect suppliers of goods who want to keep title to the goods.

The model was generally well received in St Petersburg. But now Mr Simpson and Mr Röver must persuade the former communist countries to use it.

Mr Simpson is optimistic they will. Hungary and Poland have already drafted secured lending laws which draw heavily on the model. But there are concerns that some countries with strong civil law traditions will see it as too influenced by US and English systems and opt for models closer to their own traditions, such as Germany's and Austria's.

Mr Simpson says it was never the EBRD's intention to impose the model on the central and eastern European states, so it doesn't matter if a country decides it wants to omit parts of it.

Although the new Hungarian collateral law draws on the model, it departs from it in several respects. For example, it opts for a court-run registration system which can be slow and costly – something the model sought to avoid. It also does not contain the model's unpaid vendor's charge designed to protect suppliers who want retention of title to their goods.

"The Hungarians took the view that providing for retention of title was not a pressing need," Mr Simpson says. "That doesn't worry us, because the important thing is that we are getting a law on secured transactions in Hungary. The unpaid vendor's charge can always be bolted on later."

Mr Philip Wood, a partner in London-based international law firm Allen & Overy who sat on the advisory board, says that, although the model is very well thought out, it is bound to meet some resistance because "there is no doubt it is very pro-creditor".

Where this approach conflicts with the pre-communist traditions of central European states, such as Bulgaria, the model is likely to hold few attractions. In central Asia, where many countries have only rudimentary secured lending laws or none at all, he thinks most will opt for a pro-creditor universal security law similar to the model. Russia has already done so with its 1992 pledge law, he says, and countries like Kazakhstan and Uzbekistan are showing interest.

The biggest resistance to the model is likely over systems of registration and enforcement. In general, western countries prefer registration to be a simple, low-cost administrative act. But in many of the civil law jurisdictions of the former communist states such registration systems as exist tend to be court based – which means they are slow, cumbersome and costly.

The registration system adopted in Russia under the 1992 pledge law is an example of what can go wrong, Mr Simpson says. Russia's system was based on the use of existing registries. But when parties came to register security interests they found many of these registries simply did not exist. Moreover, the Russian law exacts a registration charge or stamp duty of 3 per cent of the value of the assets secured. "If the transaction involves a $1bn power project, that's a big hit," he says. "It just shows that if you tax any part of the creation of a charge you will make it unworkable."

As a result, the EBRD has set out to produce a blueprint for a simple computerised registration system based on new charges registries set up specially for the purpose, which Mr Simpson is confident will overcome these problems. The idea, he says, is to avoid the involvement of the courts so far as possible.

Likewise with enforcement, he adds. The first thing every lender wants to know is how he can enforce the charge if things go wrong. In most former communist states enforcement is done through the courts. But the involvement of the courts at each stage of the enforcement process would be "cripplingly slow", he says.

It is vital that the enforcement rules interface with local insolvency laws, but they also need to be flexible enough to allow practical enforcement without court involvement, with the courts acting as long stop to protect the rights of the parties involved.

Mr Simpson and Mr Röver know the model will not provide solutions to all the problems of secured lending in central and eastern Europe. They expect to meet strong resistance on such issues as enforcement and registration. But, used imaginatively, it should provide the basis for workable secured lending regimes in the region and, as such, it is a big step in the right direction.

# UK in breach on employee rights

EUROPEAN COURT

UK rules on the protection of employees' rights in the event of companies changing hands or when collective redundancies take place breached EC law, the European Court of Justice ruled last week. The Court said the UK had failed to implement fully relevant EC directives.

The directives related to the safeguarding of employees' rights in the event of the transfer of a business or collective redundancies. Both placed a duty on employers to inform and consult representatives of workers affected by a transfer or redundancies.

The European Commission took the UK to court for failure to implement them properly by not providing for the designation of employees' representatives in firms where the employer refused to recognise trade unions.

The UK argued that employers who did not recognise trade unions were not covered by the obligations in the directives because union recognition in companies was traditionally based on voluntary recognition.

The Court did not accept that argument. It said the aim of the directives was to ensure comparable protection for employees' rights in all member states and to harmonise the costs of such provisions for companies in the EC. To that end, the directives laid down compulsory obligations on employers regarding informing and consulting employees' representatives.

The Court found member states had no opportunities under the directives to restrict the rights of employees to those companies which under national laws were obliged to have union representation.

Although one of the directives specifically provided for situations in which companies did not have employees' representatives, the Court said this provision should not be read in isolation and that its effect was to allow employees without such representation to be properly informed.

The Court said it was not the intention of the Community legislature to allow the different legal systems within the EC to accept a situation in which no employees' representatives were designated since designation was necessary to ensure compliance with the obligations laid down in the directive.

The Court was not concerned either by the fact that the directives did not contain specific provisions requiring member states to designate workers representatives if there were none.

The directives required member states to take all the measures necessary to ensure employees were informed and consulted through their representatives in the event of either a transfer or collective redundancies. That obligation did not require there to be specific provisions on the designation of employees' representatives.

Two further claims were made by the Commission. The first was that UK rules only required the employer to consult with the employees' representatives, to take into consideration what was said, to reply and give reasons if the representations were rejected. The obligation under the directives was to consult representatives with a view to seeking agreement. The UK conceded its rules did not provide for this.

The second claim was that the sanctions provided for in the national rules for failure to comply with the obligations to consult and inform were not a sufficient deterrent for employers.

Under the UK rules any compensation which an employer might have to pay could be set off against any amounts required to be paid to the employees.

The Court said where a Community directive did not specifically provide any penalty for an infringement, or where it referred for that purpose to national laws, the obligations of the member states under the Rome treaty were to require them to ensure infringements of EC law were penalised under conditions, both procedural and substantive, which were analogous to those applicable to infringements of national law of a similar nature and importance and which, in any event, made the penalty effective, proportionate and dissuasive. The UK had failed to do that.

*C-382/92 and 383/92: Commission v UK. ECJ FC. June 8 1994.*

BRICK COURT CHAMBERS, BRUSSELS



## PEOPLE

# Millionaire moves on from Fine Decor to find more fun

Mark Bates, 35, is a finance director in a hurry. Only a year after he helped Fine Decor, the fast-growing wall coverings group, get its shares listed on the stock market, he wants a bigger challenge.

Bates, who had worked as a management consultant, joined Fine Decor in 1990 following a management buy-out. "I started with 40 bin bags cleaning out the contents of the old chief accountant's office," says Bates, who took no holiday in his first year with the company and worked every weekend.

Since then, Fine Decor has been transformed from a fragile MBO to a successful company with its shares listed on the stock exchange, and although Bates has been well rewarded – he's a millionaire – he feels that the job of being finance director is no longer such fun. He leaves the company in August so that he can devote himself to "looking for a major challenge to stretch me to the maximum".

Harry Morgan, Fine Decor's chief executive, describes Bates' decision to quit as a "meeting of minds". Bates was not a "wallpaper man" and was somewhat younger than the rest of the executive team.

David Timmins, 41, finance director of Northamber, the loss-making supplier of computer hardware and software, takes over from Bates. Nearly half of Fine Decor's sales are overseas and Timmins has been hired partly for his overseas experience. Before Northamber, he worked for Micropolis Corp and Matchbox Toys in the US and Germany.

Proof that a good sales technique does work – sometimes. Nick Carter, 32, has just been made managing director of Crosby Homes (North West), part of the Berkeley Group.

Not that he has much background in buying land and housebuilding, but his sales technique so impressed Tony Pidgley, chief executive and joint founder of the Berkeley Group that Pidgley offered him a job.

Up till then Carter – a graduate of Leeds University with a degree in design and technology – had been selling Porsche cars at a Guildford showroom, a number of them to Pidgley and his family. Carter took a job as a land buyer for Crosby Homes, climbing the rungs until he became the land director for the north west.

Carter takes over in the north west from David Jackson, 50, the longest-serving member of the Berkeley Group, who has been appointed managing director of Crosby Homes (Midlands). He in turn takes over from Geoff Hutchinson (above), 35, who becomes managing director of Crosby Homes group, the wholly-owned subsidiary of the Berkeley Group.

## Jerry O'Mahony

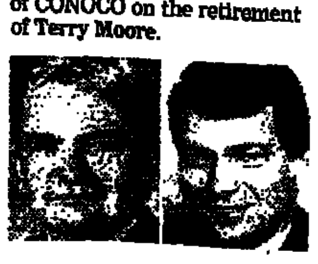
The Ladbroke group announced yesterday that Jerry O'Mahony, vice chairman and financial director, died at the weekend. He was 47 and had been ill since February. David Wilson of Ernst & Young, Ladbroke's auditors, has been standing in as temporary finance director and will continue in this position for the time being.

O'Mahony, a Londoner, joined Ladbroke in 1980 as group financial controller after working for a range of energy, financial and industrial companies. He was appointed to the Ladbroke board in 1986, became group finance director in 1987 and vice chairman in 1990. He leaves a widow and five children.

## Departures

- Alan Bell, chief executive of the kitchen division and a director of SPRING RAM, has resigned.
- Michael Darnell has retired as an executive director of Tesco.
- Sir Robert Clark has retired from SHELL TRANSPORT.
- Peter Rawlins, group finance director of TUNSTALL, is resigning.
- William White, ceo of AUTOMATED SECURITY HOLDINGS USA, has retired to pursue other interests.
- Alan Shearer has resigned from the board of ENGLISH CHINA CLAYS following the demerger of CAMAS.
- John Cole has resigned as a director of TRANSPORT DEVELOPMENT GROUP.

- Richard Rosenberg, assistant treasurer for Exxon, has been appointed executive director finance for Esso UK; he succeeds James Alcock who becomes assistant controller for Exxon in Dallas.
- Jonathan Leslie has been appointed to the board of RTZ.
- Stephen White, formerly group vice-president Europe/Canada of McGraw-Hill's professional publishing group, has been appointed group md THOMSON CORPORATION Publishing's legal & professional division.
- David Mortimer, md and ceo of TNT Ltd, who has been joint chairman of GD EXPRESS WORLDWIDE, is appointed sole chairman on the retirement of his co-chairman Klaus Zumwinkel who will remain a member of the supervisory board.
- Bernard Spring, formerly sales and marketing director of Hillsdown Chilled Foods, has been appointed md of Tiffany Sharwood's Frozen Foods, part of RHM.
- Brian Durkin has been promoted to md of MANDERS Oil Inks.
- Geoff Purdy has been appointed group buying director of T&S STORES.
- James Lancaster (below left) has been appointed chairman and chief executive of GALLAHER Retailing.
- Steve Theede (below right), md marketing, has been appointed group md and ceo of CONOCO on the retirement of Terry Moore.



## Non-executive directors

Sir Clifford Chetwood has been appointed chairman of Broadgate Properties, following the death of Lord Sharp of Grimsdyke last month.

Sir Clifford has been a non-executive director of Broadgate Properties since June 1993. He is a former chairman of George Wimpey and is currently chairman of the Construction Industry Training Board and Chetwood Associates (Architects).

Broadgate Properties owns six buildings in the Broadgate Development as well as the 600,000 sq ft Ludgate Development on the Western edge of the City of London. The properties have attracted interest from a number of potential purchasers including British Land, a company headed by John Ritblat. It recently acquired a 29 per cent stake in Stanhope, a troubled property company that owns half of Broadgate Properties.

- Paul Sanders, a corporate banking director of Lloyds Bank, at WAGON FINANCE, part of MAI.
- Michael Doherty has resigned from ANDREWS SYKES GROUP.
- Hugh Runciman has retired as chairman of SCOTTISH EASTERN INVESTMENT TRUST.
- Masamitsu Sakurai at GESTETNER HOLDINGS; Ryuki Anraku has resigned.
- Lord William Rees-Mogg as chairman at INTERNATIONAL BUSINESS COMMUNICATIONS (HOLDINGS).
- Anthony Fry, a director of N M Rothschild, at SOUTHERN WATER.
- Mark Aynsley Smith at BRADFORD & BINGLEY BUILDING SOCIETY.
- Derek Mather has retired from CRODA INTERNATIONAL.
- Anna Vinton has resigned from UPTON & SOUTHERN HOLDINGS.
- Sir Robert Clark has retired from SHELL TRANSPORT & TRADING COMPANY.
- Marvin Jaffe, president of the RW Johnson Pharmaceutical Research Institute, at CANTAB PHARMACEUTICALS.
- Ian Buckley, former head of corporate finance at Carr Kitcat & Aitken, at SELECTV.
- Allan Rae has resigned from T&N.
- John Jones has resigned from PASCOE's GROUP.

# The acceptable face of the avant-garde

*With some relief, William Packer finds contemporary painting alive and well at the Serpentine Gallery*

J.G. West's elegant pavilion in Kensington Gardens is now 60 years old. It was designed as a tea room but served its thirsty public for barely half its life. It then lay empty and redundant until, in an uncharacteristic fit of inspiration, the bureaucracies responsible for public order in the Royal Parks fixed upon a new use for it as a gallery for contemporary art. Under the aegis of the Arts Council, it re-opened in 1970, at first only for the summer months. Its scope may have been extended, its facilities improved, its independence under its own trustees at last established, but, with its ample daylight and its long windows opening out on to the park, it is still as pretty and effective a gallery as it is possible to imagine.

What it has done with its privileged opportunity over the years is another matter. A careful reader of this column will know, for example, that I was not too keen on the show that Damien Hirst put together only last month, and was less than impressed by recent offerings from Robert Gober or the Barclays Young Artists Awards. Only lately a minor government minister, one Mr Chope, called for the place to be closed down and turned into stables.

As a temporary work of installation art, such a proposal might have its merits – as even I, or young Mr Hirst perhaps, can see: but really it goes too far. The fact is that controversy or no controversy, the Serpentine now attracts some 200,000 visitors a year, which by any measure is remarkable for a gallery of its size. It is in the nature of the exercise that the more problematical or outré the exhibition, the more scandalised will be the attention it attracts, especially in this country, where we are suspicious enough of art of any kind, let alone Modern Art: shock, shudder, Picasso an old fraud and all that.

The Serpentine's great virtue is that, with its clean, open galleries and natural light, it can show work of any kind to its best advantage. The danger is that if the good can be made to look so marvellous, so the inept may seem acceptable, the banal interesting, the trivial significant.

It is all a matter of emphasis, and if the Serpentine's programme seems suddenly to have too narrow a focus and, at the expense of quality, become too bound up with supposed innovation and all the self-mystifying, self-justifying blather of the avant-garde, then it is no more than reasonable for the critic to say so. What is not reasonable is to offer the jackboot's answer to "Degenerate Art": close it down and kick it out of sight.

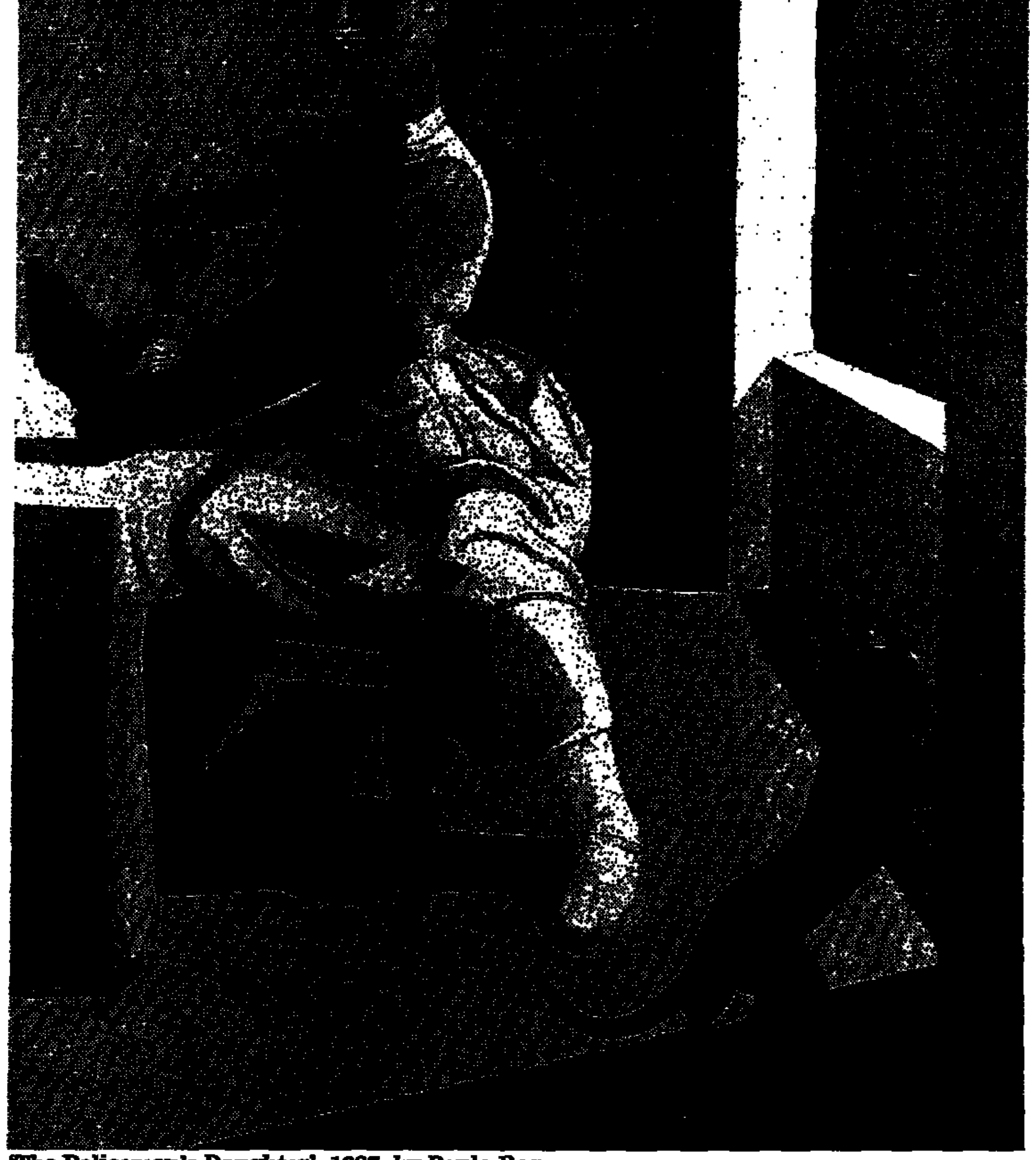
But the Serpentine may legitimately defend itself on its record overall, saying that to notice only what is controversial in its programme is itself a distortion. The point is made and, up to a point, taken by its current show of British painting. It is well chosen and beautifully hung, giving us a single and typical work by 35 artists, most of whom have been shown at the gallery one way or another over the years. The title is a little misleading, for while all these artists worked on after 1970, and much of the work is very new, the actual examples of one or two of the artists were done long before – the Nicholson, indeed, dating from 1929.

But this is to quibble. As a show it does two useful things. First, it clearly demonstrates that for all the talk of the irrelevance, if not the actual death of painting, its practice has continued throughout its period within the established conventions, abstract and figurative, apparently lively and in good health. And it follows from this that far from working in a critical vacuum alongside their conceptualist and installationist contemporaries, younger painters such as Lisa Milroy, Ian Davenport and Fiona Rae may now be seen within a broader context and a richer tradition. Certainly their work appears the stronger for it, seen now in such company as Patrick Caulfield, Bridget Riley, Prunella Clough, John Hoyland or Gillian Ayres.

It is not true of all of them. Tony Bevan, for example, can hardly live with Freud or Auerbach, and Mark Wallinger and Richard Hamilton make a fine pair for triviality and pretension. But the gallery is, for the most part, full of strong and beautiful things – Victor Willing's odd flapping suit of clothes, like a suspended carcass, holding its own with Francis Bacon's seated figure; a deceptively simple and expansive Howard Hodgkin; good things from Paula Rego, Albert Irvin, Adrian Berg, Lucian Freud, Terry Frost and many more. Take your pick. Most beautiful of all is the large, new Prunella Clough, with its dark, smoky surfaces and striated stacks.

But for all these good and positive things, there is yet one *caveat* to enter. To go through this work is still to register a sense of the official, or at least established, art of its period. This show offers us the accepted face of modern painting, the face that fits. The Serpentine's avant-garde credentials are safe enough.

*Here and Now*: British painters at the Serpentine Gallery from 1970 to the present. Serpentine Gallery, Kensington Gardens W2.



'The Policeman's Daughter', 1987, by Paula Rego

## Opera

# Domingo's noble savage

In the Bonn Opera programme for Antonio Carlos Gomes's *Il Guarany* (The Guarani), there is a photograph of Mario del Monaco, bronzed and naked except for a loin-cloth, taken in 1949 when he sang the title role in Rio de Janeiro. Del Monaco's enthusiasm for this four-act *opera-ballo* was such that his son vowed to make it more widely known. Now intendant in Bonn, Gian-Carlo del Monaco has realised his boyhood dream. He persuaded Placido Domingo to learn the part his father had sung, brought in Sony to record it, and has helped illuminate a neglected corner of 19th century repertoire.

The first Brazilian composer to achieve international fame, Gomes (1836-96) won a government scholarship to study in Milan. *Il Guarany* had a triumphant premiere at La Scala in 1870 and performances followed in Rio, London and New York.

As the descendant of a Guarani Indian, Gomes was naturally drawn to José de Alancar's love story of 16th century colonial Brazil. The chief characters are Peri, a Guarani Indian, and Cecilia, daughter of a Portuguese nobleman. Their love flourishes despite the prejudice of her father, the treachery of her Spanish admirer Gonzales and a running conflict with the cannibal Aymoré Indians. In a utopian ending, Peri and Cecilia alone survive to found a lineage which will reconcile Indians and colonial incomers.

Since the 1930s *Il Guarany* has enjoyed the status of a Brazilian national opera – but apart from the setting, there is nothing Brazilian about it. With a long ballet (heavily cut in Bonn), static choral tableaux and an Italian libretto, it mixes grand operatic style with the melodic verve of early Verdi. Gomes gives the same Italianate colouring to the natives as he does to the Europeans, and is unable to hide a patchwork quality. The work's appeal lies in its exotic jungle location and the opportunities it provides for beautiful singing.

The idea of inviting Werner Herzog to stage the German premiere had a superficial logic – his film *Fitzcarraldo* is also set in the Amazonian jungle. However, Herzog has yet to reveal himself as a natural theatre man. His production, designed by Maurizio Balo and Franz Blumauer, unfolded within a cavernous frame of rampant undergrowth, and updated the setting to the early 19th century. The action was static, the choreography lamentable. On the positive side, a complicated plot came over clearly, and the singers held centre-stage.

As Peri, Domingo joins a distinguished line of interpreters including Gigli. And this was vintage Domingo, singing in the language and style that suit him best. Unrecognisable behind Indian feathered head-dress and facial markings, his noble savage was thoroughly believable. The part taps his lyrical and heroic strengths, and found him in full, fluent voice.

Gomes hands all the display arias to the soprano, sung here with clean and gracious aplomb by Veronica Villaroel. Carlos Alvarez's Gonzales was a lyric baritone of unmistakable class. Chorus and comprimarios were good, but the orchestral playing under John Neschling was dull. I enjoyed *Il Guarany*. Within the limits of its style, it has charm and vitality. And thanks to Domingo, the Bonn performances had the atmosphere of a real operatic occasion.

**Andrew Clark**

Last Domingo performance tonight

## Theatre/Martin Hoyle

# Strange bedfellows at the Royal Court

The Duke of Edinburgh's latest views on poverty add a certain piquancy to the coupling of the two plays running in tandem at the Royal Court for the summer. At first glance the pairing of Jim Cartright's *Road* and Sue Townsend's *The Queen and I*, under the thematic yoke of deprivation and wasted lives, looks tenuous. Each work is so stylised, so individual, that the association seems as artificial as lumping together *King Lear* and *Run for Your Wife* as a joint exploration of troubled family relationships.

The director is Max Stafford-Clark (whose new company, Out of Joint, has been touring the plays as its first venture); his theatrical strengths include intellectual clarity and robust didacticism rather than warmth or humour. Despite avowed aims at a new populist audience, the resultant work seems aimed at the twittering classes, lazily stereotyping the monarchy with the same semi-informed ease with which they distance themselves behind barriers of correct-sounding cliché from poverty and injustice. Pretty much the traditional audience for the Royal Court, in fact, a theatre which Stafford-Clark has officially left but which obviously still exerts a strong hold.

The FT was the first paper to recognise the thrilling potential of *Road* in 1986. A riveting promenade production by Simon Curtis conducted the fearfully hypnotised spectators through a nightmare *danse macabre* down mean streets of hopeless squalor. The mad, slightly threatening narrator in this *Under Milk Wood* of urban dereliction was Edward Tudor Pole. Now Toby Salaman buttonholes us with an avuncular twinkle, less a gimlet-eyed ancient mariner than another boring wedding-guest.

The conventional proscenium-arch production adds an air of contrivance that makes Cartright's honed obscenities and lyrical laments sound artificial. Some elements of the play have dated: escape is found in drink and attempted sex – little emphasis on drugs. But then the accent was always on adults, aware of the emptiness that faced them, rather than kids still finding out.

The production romps towards cumulative impact, not high-pitched intensity. It misses out on subtlety, and therefore a dimension that stops us patronising these losers. Besides compassion, its obverse, disgust, is present, notably in its depiction of sex as either ugly clumsiness or manipulative power-play. The performance is summed up by the scene where bosomy Pam Ferris, hugely blowsy, clambers over an insensibly drunken young soldier who stirs only to vomit, while she pretends that he is seducing her ("So young . . . Why should you choose me?"). Hilarious physical comedy, but a world away from the quiet, faded desperation that made it the most moving moment of the original production.

★

That Stafford-Clark has little time for pathos is illustrated also by his direction of *The Queen and I*, drawn from Sue Townsend's best-seller. There has reportedly been rewriting on tour; certainly it seems less enjoyable than the Leicester premiere reviewed here in April by Alastair Macaulay. As everyone must know by now, the brilliant fantasy exiles the royal family to a deprived inner-city estate in a newly republican Britain. The book showed affection as well as satire; the stage version hedges its bets by giving a call to action, in the form of an alternative Christmas speech, to the Queen herself; but what was warm-hearted in the book seems mere opportunism on stage.

Royalists will find little offensive here, possibly because some of the royal impersonations are so inept. Carole Hayman's Princess Margaret sounds like Margaret Thatcher and looks like Judith Anderson playing Mrs Danvers in *Rebecca*. Out of context, David Howey's Prince Philip would be unidentifiable. Gillian Hanna is at sea with the Queen Mother. On the other hand, Doon Mackichan suggests the Diana stoop, slyness and general charisma. Toby Salaman uses a hamper of make-up to transform his face into a Prince Charles carnival mask, and suggests the right anguished, teeth-clenched decency.

Touching neither the fifth-form iconoclasm of *Have I Got News for You* nor the juvenile venom of *Spitting Image*, the writing nevertheless shows a jumble of styles, from comic-strip zaniness to the old-fashioned agitprop theatre that my companion greeted with a sigh of exasperated nostalgia when the Queen and her new neighbours had a final sing-song about necessary change. I suspected the worst when I heard that the company had been getting the feel of a Leicester council estate – about as relevant to comedy as those studies of Jacobean Scotland by American divas who think it will help them to sing *Lucia di Lammermoor*. But as if to prove he is no dry, po-faced old stick, the director has interpolated unnecessary songs, adding to the impression that a vaguely Brechtian history epic was aimed at. Indeed, the Good Woman of Szechuan is virtually quoted verbatim by the tough estate-leader, Vi: "It ain't possible to be honest and poor."

There are certainly funny passages: the women's assertiveness class, the Queen and Di participating, is a lovely idea. All credit to Pam Ferris, who looks nothing like her but manages a likable portrait of HM as a woman rather delightedly kicking over the traces and discovering herself. But without the entertainment value of the book, there is no clear message either.

## Dance/Sophie Constanti

# De Keersmaeker's 'Toccata'

In 1988 the American choreographer, Mark Morris, moved to Belgium where he and his dance group were to spend three predictably-controversial years in residence at Brussels' Théâtre Royal de la Monnaie. Now, his successor at the Monnaie, Flemish dancemaker, Anne Teresa De Keersmaeker, appears to be in the throes of a similar creative high. Her latest work, *Toccata*, presented at the QEH as part of *The Turning World* festival, is more solidly authoritative and eloquent than anything she has shown previously in Britain over the past decade.

Performed by Rosas, the ensemble which takes its name from one of De Keersmaeker's earliest works, *Toccata* is a pellucid marriage of music and dance in which each form reveals and accentuates essential qualities of the other. While music has always been the driving force behind her choreography, De Keersmaeker assiduously spurns any easy relationship between aural and physical action. Her signature piece, *Rosas Danst Rosas*, was a trenchant exercise in mathematically-layered gesture which slashed against the music of Thierry De Mey and Peter Vermeersh. And in its repetitive sequences, pared-down motifs and stylistic rigour, it proved a blueprint for much of her subsequent work.

De Keersmaeker's ability to take absolute control of the way in which she wants music and dance to interact has led to a reputation for cold formalism. But *Toccata* shows her buoyed by a series of contrasting piano pieces by J.S. Bach; she quietly engages with, rather than answers, each of these scores in movement terms.

The work opens with pianist, Jos van Immerseel, playing the toccata (BWV914) of the title. Behind him, a raised, angular platform slopes down to one side. On this huge catwalk the five performers (one man, four women) absorb the music and respond to it in carefully-measured phrases. We watch a woman lifting her arms and shaping them into a perfect oval. And through this single action, soberly academic yet dazzling and poignant in effect, De Keersmaeker invokes an atmosphere of hushed concentration, giving us the first in a stream of images which cleanse the mind and sharpen the eye.

In the central section, a lighter mood prevails as a two-women, one-man team play with the French Suite's allemande, gavotte and sarabande. Nothing in De Keersmaeker's writing is gratuitous, excessive or hackneyed. Likewise, her dancers address the business of rhythm, locomotion and sculpture without selling-out to the emotive qualities of Bach's music.

*The Turning World* festival at the QEH continues with Wim Vandekeybus today and tomorrow (Box office: 071-928-8800)

# INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**Concertgebouw** Tonight: Riccardo Chailly conducts Asko Ensemble in works by Rihm, Nono, Francesconi, Stravinsky and Varese, with piano soloist Jean-Yves Thibaudet. Fri, Sat, Sun afternoon: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in Liszt and Mozart, with violin soloist Frank Peter Zimmermann. Sat afternoon: Edo de Waart conducts Radio Philharmonic Orchestra and Chorus in concert performance of Chausson's Le roi Arthus (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
**Muziektheater** Tomorrow: first night of Dutch National Ballet's new mixed bill, with choreographies by Rudi van Dantzig, Toer van Schayk and Hans van Manen (repeated June 17, 18, 20, 21). Thurs, Sun, next Wed and Fri: Riccardo Chailly conducts Lluis Pasqual's Netherlands Opera production of Falstaff, with cast headed by Bruno Pratico (020-625 5455)
**Stadsschouwburg** Fri: world premiere of Guus Janssen's new chamber opera Noach, conducted by Lucas Vis and staged by Pierre Audi. Repeated June 18, 19, 20, 21 (070-320 2500)
● Many of the above events form part of this year's **Holland Festival**, which continues till June 30. For information and tickets about other festival events, contact Netherlands Reservations Centre: tel 070-320 2500 fax 070-320 2611.

## ■ ANTWERP

**de Vlaamse Opera** Tonight: Stefan Soltesz conducts first night of Petrika Ionesco's production of Die Fledermaus, with cast headed by John Hurst and Cynthia Lawrence. Repeated June 17, 19, 21, 25 (03-233 6685)

## ■ BASLE

The highlight of this month's programme at the Stadttheater is Herbert Wernicke's new production of Handel's Theodora, sung in English by a cast headed by Sonia Theodoridou, Hedwig Fassbender and Christoph Homberger (June 15, 18, 21, 25 and 26). Repertory also includes Donizetti's La Favorite and Youri Vamos' production of Sleeping Beauty (061-295 1133)

## ■ BRUSSELS

**Palais des Beaux Arts** Tonight (Conservatoire): Lindsay Quartet plays works by Purcell, Tippett and Beethoven. Tomorrow (Conservatoire): Reinhard Goebel conducts Musica Antiqua Köln in works by Biber, Schmelzer and others. Thurs: William Christie conducts Les Arts Florissants in Rameau and others. Fri: Philippe Herreweghe conducts Orchestre des Champs-Elysées in Beethoven, Berlioz and Mendelssohn, with soprano Lorraine Hunt. Sun, next Wed: Antonio Pappano conducts Orchestra and Chorus of the Monnaie in Mendelssohn's Elijah, with soloists including Keith Lewis and José van Dam (02-507 8200)
**Monnaie** Tonight, Fri (also June 21, 23, 26, 29): Antonio Pappano conducts Karl-Ernst and Ursel Herrmann's production of La traviata, with cast headed by Elzbieta Szmytka, Laurence Dale and Victor Ledbetter (02-218 1211)

## ■ CHICAGO

**RAVINIA FESTIVAL**
The 1994 festival opens on Thurs with a week of jazz and popular concerts featuring the Count Basie Orchestra, Dave Brubeck Quartet, Mel Torme, Cleo Laine, Wynton Marsalis Septet, Ray Charles and Dionne Warwick. The Vermeer Quartet gives the first classical music concert on June 23, and the Chicago Symphony Orchestra begins its annual residency the following day with the first of six concerts conducted by Christoph Eschenbach. Guest conductors and soloists appearing at the festival this year include Semyon Bychkov, Riccardo Chailly, Eri Klas, Placido Domingo, Hermann Prey, Thomas Hampson, Alicia de Larrocha, Itzhak Perlman, Pinchas Zukerman, Gidon Kremer, Midori and Yo Yo Ma. The festival runs till August 28. Situated in Highland Park, Ravinia is easily accessible to World Cup visitors and international travellers via public transport from downtown Chicago. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chicago area, call 1-800-433-8819. Tickets can be ordered by fax 24 hours a day: 708-433 4582.

## ■ GENEVA

The final production of the season at the Grand Théâtre is Lohengrin, staged by Robert Carsen and conducted by Christian Thielemann, with a cast headed by Thomas Moser, Hartmut Welker, Eva Johansson and Marilyn Zschau. This week's performances are tonight and Fri, repeated June 20, 24, 27 and 30. Teresa Berganza gives a song recital tomorrow (022-311 2311)

## ■ THE HAGUE

**Dr Anton Philipszaal** Sat: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in Bruckner's Eighth Symphony (070-360 9810)

## ■ VIENNA

**STAATSOPER**
A new production of Hindemith's Cardillac, staged by Marco Arturo Marelli and conducted by Ulf Schirmer, can be seen on Fri and next Mon, with Franz Grundheber in the title role. Repertory also includes La boheme tonight with Neil Shicoff as Rodolfo, Ariadne auf Naxos tomorrow and Sun, Don Carlo on Thurs with Luis Lima, Vladimir Chernov and Aprile Millo, and Siegfried on Sat with Gabriele Schnaut, Siegfried Jerusalem and James Morris. Riccardo Muti conducts Le nozze di Figaro on June 21, 24 and 28, with Bryn Terfel as Figaro. Luciano Pavarotti sings in Tosca on June 27 and 30 (51444 2955)
**CONCERTS**
This week's highlight is a choral concert on Sun at the Musikverein featuring the Orchestra of the Age of Enlightenment conducted by Bruno Weil (505 8190). Friedrich Gulda is director and solo pianist with the Vienna Symphony Orchestra in a Gulda and Beethoven programme next Mon and Tues at the Konzerthaus (712 1211)
**THEATRE**
A new production of Chekhov's Three Sisters opens on Fri at the Burgtheater, directed by Leander Haussmann. Repertory at Akademietheater includes Chekhov's Uncle Vanya and Goethe's Torquato Tasso (51444 2959). Theater in der Josefstadt has John Osborne's The Entertainer (402 5127)

## ■ WASHINGTON

● Mstislav Rostropovich conducts National Symphony Orchestra and Chorus in Verdi's Requiem tonight at Kennedy Center Concert Hall, with soloists including Denyce Graves and Willard White. The orchestra is joined by Marilyn Horne and other distinguished guests on Fri for a Salute to Slava, celebrating Rostropovich's work in Washington (202-467 4600)
● The main summer show at Kennedy Center Opera House is Miss Saigon, the musical love story set during the Vietnam War. Daily except Mon (202-467 4600)
● David Zinman conducts Baltimore Symphony Orchestra on Thurs, Fri and Sat morning at Baltimore's Joseph Meyerhoff Symphony Hall. The programme consists of George Perle's Adagio for Orchestra and Mahler's Seventh Symphony (410-783 8000)
● The Chieftains, one of the leading Irish folk groups, can be heard in concert at Wolf Trap on Thurs (703-255 1860)

## ■ ZURICH

**Opernhaus** Tonight: Nikolaus Harnoncourt conducts final performance of Helmut Lohner's new production of Offenbach's La Belle Hélène, with cast headed by Vesselina Kasarova and Deon van der Walt. Thurs, Fri: Mozart ballet production, choreography by Bernd Bienert. Sat: Un ballo in maschera. Sun: Don Carlo with Francisco Araiza, Leo Nucci and Mara Zampieri. Mon: Sandor Vegh conducts orchestral works by Haydn, Mozart and Beethoven (01-262 0909)
**Tonhalle** Tomorrow: Vladimir Fedosseyev conducts Tonhalle Orchestra in works by Skryabin and Falla, with piano soloist Elisabeth Leonskaja. Fri: Fedosseyev conducts final of 1994 Geza Anda Piano Competition, featuring three young pianists in concerto performances. Sat: Krystian Zimerman piano recital (01-261 1600)
**Schauspielhaus** Tonight, Thurs, Sun: new production of Pirandello's Man, Beast and Virtue, directed by David Mouchtar-Samorai. Repertory also includes Dürrenmatt's The Visit, David Mamet's Oleanna and a studio production of John Osborne's Look Back in Anger (01-221 2283)

### ARTS GUIDE

**Monday:** Berlin, New York and Paris.
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
**Wednesday:** France, Germany, Scandinavia.
**Thursday:** Italy, Spain, Athens, London, Prague.
**Friday:** Exhibitions Guide.

### European Cable and Satellite Business TV

(Central European Time)

**MONDAY TO FRIDAY**
**NBC/Super Channel:** FT Business Today 1330; FT Business Tonight 1730, 2230

**MONDAY**
**NBC/Super Channel:** FT Reports 1230.

**TUESDAY**
**Euronews:** FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**
**NBC/Super Channel:** FT Reports 1230

**FRIDAY**
**NBC/Super Channel:** FT Reports 1230
**Sky News:** FT Reports 0230, 2030

**SUNDAY**
**NBC/Super Channel:** FT Reports 2230
**Sky News:** FT Reports 0430, 1730;

## *THE FT INTERVIEW:* Peter Wallenberg

# Generation game winner

Peter Wallenberg, patriarch of the fourth generation of one of Europe's mightiest industrial families, has the battered but exhilarated air of someone who has just been on a particularly bone-shaking fairground ride.

With good reason. Not only has he steered his empire – a network of holdings that comprises almost every well-known name in Swedish industry, including Astra, Asea, Electrolux, Ericsson, Saab-Scania and Stora – through Sweden's worst recession since the 1930s. He has also, contrary to widespread expectations, emerged more dominant than ever in Swedish business.

Mr Wallenberg, a gruff, rumpled figure with an impish sense of humour, can afford a little self-congratulation in talking about his recent ordeal: "You can ask my colleagues and they will say: 'You smell trouble long before anybody else'."

Nevertheless, he remains acutely sensitive about the perception that the industrial edifice he has controlled for the past 12 years was almost brought down by recession. Frequently in the past 18 months commentators questioned whether a domain that stretches from forestry through engineering and motor manufacturing to telecommunications and pharmaceuticals could survive shrinking markets and piles of debt.

Mr Wallenberg, now 68, does not deny that the recession "put the whole organisation to a very tough test". It was, he says, "the sort of experience when, really, your heart goes down very far in your body at an early stage and you live with that until you work your way out of it".

An important turning point came with the flotation and heavy devaluation of the Swedish krona in November 1992. The steady slide in interest rates and the export lift that followed provided a vital lifeline – not least to Skandinaviska Enskilda Banken, Sweden's premier bank and the Wallenbergs' financial flagship that only a year ago was on the brink of a state takeover.

Mr Wallenberg prefers to stress the toughness and ingenuity of his senior managers in pulling the companies he controls out of the mire. Investor, the family's chief investment vehicle which controls most of the Wallenberg blue-chips, managed to scale down a threatening level of debt through some deft divestments, while preserving control of its prize assets.

"The reserves in Investor proved more than adequate without selling off any single major holding," he declares. Nor, he insists, is any such big sell-off contemplated now. The family still controls as much as 40 per cent of the Stockholm stock market through companies which boast total annual sales of SKr450bn (£38bn).

More than that, the dynasty's dominance has been enhanced by recent developments at Volvo, a company that in the past provided a genuine counterweight to the Wallenberg empire. After the collapse of its plan to merge with France's Renault and the departure of chairman Pehr Gyllenhammar, Volvo is selling all its non-core interests to concentrate on making cars, trucks and buses. One large subsidiary has already been sold – to the Wallenbergs – and two top Wallenberg men have been appointed to the Volvo board.

Needless to say, the kind of shareholder revolt that humbled Mr Gyllenhammar would be hard to imagine with the Wallenbergs. A system of weighted shares, where one class of share has much greater voting power than the second, is the cement that has bound the empire together and fended off the threat of foreign takeover. The structure, at its most extreme, allows Wallenberg companies to control 94.1 per cent of the votes in Electrolux, the world's leading white goods maker, with just 6.4 per cent of the capital.

Mr Wallenberg is quite unrepentant about this system. Nor does he seem worried now that it faces any legislative threat, either within Sweden or from the European Union. "All countries in Europe have their way of securing industries that are of a certain interest to the nation in one way or another."

But what about growing assertiveness among minority shareholders, in Sweden as elsewhere in Europe? Might it not eventually undermine the Wallenbergs' control? "Look," he says, "the capacity and competence of the majority of small shareholders to really influence a company in a businesslike manner might be brought into doubt."

Equally, he bristles at the suggestion that such dominance as he exercises might be unhealthy for Sweden, either by limiting competition or by impeding the growth and capital-raising potential of his companies. The competitive spur, he insists, comes from the international market, and the companies positively benefit from the long-term stability of ownership and strength of reputation that his family brings.

"As long as we perform at least as well or better than other equivalent industries . . . we will do nothing that will be against the best interests of the country."

Questions about industrial logic, he implies, are beside the point against the overriding objective of maintaining the family inheritance. "The alternative is to sell out, pocket the money and do something else. Go fishing or something."

Clearly, that is not an option he contemplates. Instead, the strategy now is to look abroad for expansion because, Mr Wallenberg says, Sweden is a small and saturated market.

Beyond the present, his biggest preoccupation is passing on a healthy bequest to the next Wallenberg generation – his son Jacob and his nephew Marcus, both now in their late 30s and playing senior roles in Investor and SE-Banken.

It is a subject that appears to weigh heavily on him, not least because of his own experience: in effect passed over for the top job by his legendary father Marcus Wallenberg, who publicly deprecated his talents, Peter took over in 1982 when his father died aged 83 – and then only after his brother Marc, the appointed heir, had committed suicide.

The current patriarch vows not to subject Jacob and Marcus to such indignities. But he is not yet ready to hand over and he is setting tough terms.

"I would dearly love to see the next generation come on. That would make the fifth generation. But you know what I would hate to see is for any of them to come to the top positions and fail." The word 'fail' comes out like an expletive. "I am prepared to let these boys [take over] provided they come out right."

Wallenberg: determined to keep the family inheritance together

**Andrew Gowers, Hugh Carnegy and Christopher Brown-Humes**

## Joe Rogaly

# Hope in a bleak house

There is one comforting observation to offer Britain's Conservatives this morning. The next general election need not be held until the late spring of 1997. That is nearly three years away. As Lord Wilson might say, 150 weeks is a long time in politics. Contrary to the impression given by some headlines, the government did not change last week. Mr Tony Blair is not the leader of the Labour party, although he is front-runner for that post. Labour did not sweep to power at Westminster over the weekend, although its chances of so doing have improved. Mr John Major is to be found in his office in No 10 Downing Street. The prime minister has the levers of power in his hands. What he does with them can make a difference. He showed this yesterday when he put on a confident performance at a press conference called, cleverly, in the sunny garden of No 10. He is here to stay, he said, and sounded as if he meant it.

He might be. In Germany chancellor Helmut Kohl seemed doomed a few months ago. The Social Democrats looked set to take office in October's general election. The economy is only just beginning to emerge from recession. Yet on Sunday Mr Kohl's Christian Democrats plus allies attracted some 40 per cent of the Europoll against 32 per cent for the Social Democrats. The British prime minister's explanation is that the recent experience of most democracies is the same. Mid-term protests like last Thursday's in Britain melt away when a general election approaches, as in Germany. Mr Major may be taking lessons in political sumo wrestling from his friend Helmut. He appears to be aware that a hard-nosed reshuffle of his cabinet would be a start.

That said, it is difficult to argue that a Tory resurgence is likely. There is a feeling around that the Conservatives' time has come, that whatever they do they are heading for the opposition benches. Their nadir lies ahead, with a lower point to follow. They have broken a series of worse-than-ever records: worst local election performance, worst by-election showings and, in the Euro-elections, worst scores by either of the two largest parties in a national contest since the Labour debacle of 1983. They are tired, discredited, and irremediably divided over Europe. How can such a shambles stand up to the resurgent might of the Labour party?

Perhaps by cutting taxes. The most commonly cited reason for the government's unpopularity is that it won in 1992 by falsely promising lower taxation. As the ghastly results of the Euro-elections have come in, some leading Conservatives have started to talk of a tax cut that would restore the government's fortunes. There is a small obstacle in the way of such a strategy. The two Budgets of 1983 planted a long series of voter-repellent irritation machines in the calendar. In October we will get the insurance premium tax of 3 per cent, plus an impost of £5 on domestic and £10 on foreign flights.

Next April, VAT on domestic heating fuels more than doubles, to 17.5 per cent. Income tax allowances and mortgage interest relief fall from 20 per cent to 15 per cent, at a time when the trend in interest rates will doubtless be upwards. The government is committed to adding 5 per cent per future Budget, in real terms, to road fuel tax, not to mention a similar 3 per cent on tobacco. It may, however, cut taxes in the November 1995 Budget, or the following year. Mr Major's attack on beggars during the Euro-election campaign revealed how ruthless he can be if his or his government's survival is at stake. Picking our pockets in order to bribe us with our own money near a general election will not trouble the Conservative conscience next time. It never has.

**There is doubtless wishful thinking. Mr Blair is becoming a screen upon which voters of all parties may project their hopes**

It would be wrong, therefore, to assert that the Tories are finished. It is more fruitful to set out the reasons why so many of us strive to believe that they are. Forget calculations involving percentages, turnout, swing, opinion polls and suchlike voodoo. Labour attracted some 600,000 more voters in last Thursday's Euro-elections than it had in the similar poll in 1989. The Conservative popular vote was 1.1m down. This might be put down to the tax increases, in which case Mr Major is right when he says we should wait for the recovery to percolate through. Alternatively the Tory abstentions, and the accretion of Labour votes, might indicate a greater depth of feeling than mere bribery could reach.

Over the past few years, and particularly since Black Wednesday, the political prospect has been depressing. The government constantly trips over itself. The opposition has not presented a credible alternative social or economic strategy. National self-confidence has ebbed away, as the great institutions, from the monarchy downwards, have been shown to be flawed. The high tide of Thatcherite triumphalism of 1988 has receded, to reveal an empty, debris-strewn beach. No political leader has yet been able to shake us out of this mood, certainly not Mr Neil Kinnock or Mr John Major nor, it must be acknowledged, Mr John Smith while he was alive.

Suddenly, and perhaps misleadingly, change seems possible. The likely new leader of the Labour party presents a reassuring face at a time when the party itself is regarded, in all regions of the country, as less frightening than it was even two years ago. None of us can tell at this stage whether Mr Tony Blair can live up to his promise, or whether the party he aspires to lead will permit him to do so. What does seem clear is that Labour, or rather Blair-led Labour, seems to offer an end to the bleak management of Britain that has so dispirited us.

There is doubtless wishful thinking here. Mr Blair, a master of the art of speaking in a manner that his audience likes to hear, is becoming a screen upon which voters of all parties may project their hopes. This has nothing to do with the mundane question of whether he shares this particular aspiration or that, or could make this or that political dream come true. His hour has arrived just when people are looking for a reason to be optimistic. The desperate Tory dingoes, low and mean in their cunning, will know what to do. They will yelp and bay around him, corner his party, press Labour to come clean with specific policies and costed proposals so that they may be torn to shreds. We voters can only watch, and tremble.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## 'Excessively high' returns are sought for long-term projects

*From David Miles.*

Sir, The recent debate on dividend payments by UK companies and the associated issue of whether pressures from the City of London discourage longer-term investment has generated much heat but limited light. A key issue in evaluating the efficiency with which resources are allocated in the UK is assessing whether the returns required by investors for funding longer-term projects undertaken by industrial and commercial companies are too high. Assessing those required returns is itself tricky – though manipulation of various financial market data can be informative. Much harder is assessing what required returns should be given the time horizon over which physical investment or R&D expenditure might pay off and the risks involved.

In an article published in the November 1993 volume of the Economic Journal I described some research I carried out into whether returns required by the stock market on longer-term investment by UK companies looked too high. Two conclusions were reached in that paper. First, the returns required on projects which did not pay back for five years or so appeared to be very substantially higher than the returns required on projects which paid off more quickly (within a year or so). Second, the difference in required returns appeared to be larger than could easily be warranted on the basis of risk. The econometric study used data on around 500 medium and large UK public corporations and covered the period 1975-1990.

In an area as complex as this, no econometric study could be expected to settle the issue. But testing hypotheses about the operation of markets by carefully analysing the historical record offers the only constructive way forward. On the basis of the little econometric work that exists, there is worrying evidence that companies in the UK face excessively high required returns for longer-term projects.

David Miles,
*senior UK economist,*
*Merrill Lynch, Pierce, Fenner & Smith,*
*25 Ropemaker Street,*
*London EC2Y 9LY*

## Audit burden more likely to increase

*From A J Marshall.*

Sir, I write to draw your attention to a political con-trick which is being pulled on small businesses.

The government announced with great gusto a lifting of the audit burden from small companies. As a chartered accountant with many small company clients, I have studied the draft legislation and would like to warn the public that they will not see any significant cut in costs if the legislation goes through as it stands.

For companies falling in the turnover range of £90,000 to £350,000 per annum, the proposed legislation requires the accountant to sign a new report, replacing the audit report. However, the work required to enable the accountant to sign the new report will be almost as much as is currently carried out for an audit of this size of company. As the wording of the new report introduces new risks for the accountant which have yet to be tested in the courts, many accountants may feel it necessary to carry out more work than before.

The Department of Trade and Industry is dealing almost exclusively with the Auditing Practices Board on this matter. The Auditing Practices Board is responsible for standards and guidance within the profession on auditing matters. As such, it is mainly concerned with larger companies and, from what it has written and said, appears to have little grasp of the practical implications of the proposed legislation and its effect on small companies.

In its rush to score political points out of this matter, the government has not allowed sufficient time to ensure that the proposals are workable. The draft legislation was issued towards the end of May and responses on the matter were required by June 10. With the Auditing Practices Board behind the proposals, it seems extremely unlikely that it is going to be altered before becoming law.

Of course it makes sense to maintain a requirement for small businesses to involve a chartered accountant in their accounting affairs and it makes sense to remove unnecessary elements of the accountant's work. However, to tell small businesses that their burden is being lifted when, in the fullness of time, they will realise that it is not, is nothing more than a cheap and nasty political trick.

A J Marshall,
*chairman, Portsmouth Area Chartered Accountants,*
*Apex House,*
*Fareham Heights,*
*Standard Way,*
*Fareham,*
*Hampshire PO16 8XT*

## Gaping hole in OECD report

*From Ms Jane Goodsir.*

Sir, David Goodhart's report of the OECD jobs study ("Rejecting the unthinkable and the unacceptable", June 8) concludes that "lobby groups will simply pick out what they want in order to reinforce what they are already doing." My concern is that, by removing references to the link between long-term unemployment and rising levels of crime and drug abuse, the OECD report leaves a gaping hole in what public services the private sector and drugs services should be doing.

A number of the submissions to government under the City Challenge programme included tackling local drug misuse as part of a comprehensive package of measures to improve local economic well-being. Yet the guidance issued by the Department of the Environment for the new single regeneration budget makes no explicit reference to tackling drug misuse. If the government is serious in its attempts to tackle the economically damaging impact of drug misuse and associated crime, it must ensure its constituent departments speak coherently. Tackling drug misuse must be a priority area in the regeneration budget for the future.

Also, we must expect local economic development agencies and training and enterprise councils to focus on the deleterious effect of drug misuse in many areas and particularly among young people. We must see a process begin whereby those responsible at the local level for training, education and enterprise development engage in a dialogue with health, criminal justice and specialist drug services.

Jane Goodsir,
*chair, Standing Conference on Drug Abuse,*
*32-36 Loman Street, London SE1*

## Strategy needed for UK to compete as rest of the world does

*From R N Bradford.*

Sir, In general, I totally agree with the arguments presented by Mr Robert Bischof (Personal View, June 10). The British government's seeming obsession with labour deregulation and an apparent consequent lower wage cost advantage, as the latest miraculous route to economic success, is shot through with flaws typical of the limited thinking of those remote from the business world. In most manufacturing companies of my acquaintance, direct labour costs are a relatively small proportion of cost. Purchases – mainly materials – can be four or five times as high; so if we want to reduce cost, which area should we attack first?

As Mr Bischof points out, overall productivity is the key to cost efficiency and effectiveness, involving total effort across a company. But while this is a highly significant truth, it is in turn part of a broader truth, which is simply that as a nation we will only sell goods and services that other people wish to buy. The business orientation needed to address this is defined by the word marketing, and this, in my opinion, is where as a nation we have been palpably weak and, with odd notable exceptions, continue to be so.

My own evidence comes from more than 30 years as line manager, company director and management consultant, working with companies of literally all shapes and sizes. And on the broader front, there are signs a-plenty. The limited horizons of too many of today's boards lead to justified allegations of short-termism. Hand-wringing continues year in, year out, at our propensity to invent things only to lose out on commercial exploitation. Government after government introduces various palliatives, but steadfastly resolves not to establish the long-term economic strategy that identifies the key technologies and markets of tomorrow, and then create an environment that really will help businesses in those areas to grow strong. Cries off-stage, at this point, of "interventionism" and worse – to which I would suggest that it is high time we decided to live in the real world, get out there and compete as the rest of the world does. The alternative, as may be inferred from Mr Bischof's article, is to continue the story of persistent relative decline, led by economically illiterate politicians and businessmen with an eye to the main (short-term) chance only.

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# New patterns in Europe

Anyone who points out that the so-called European elections are in reality no more than 12 separate national opinion polls almost invariably goes on to deduce some Europe-wide pattern or moral from their results. This time even the almost universal expectation, that voters would use the occasion to express disgust with their incumbent governments, proved only very patchily true. But something like a general law on that point can be deduced, namely that governments do worst when elections are genuinely mid-term. The nearer voters are to a general election, whether behind or in front, the more indulgent they may be towards governing parties, presumably because they are thinking harder about the alternative.

Thus while the Spanish electorate no longer felt any obligation to stand by its year-old support for the scandal-ridden Socialists, Greek and Italian voters did re-endorse their more recently elected governments (of left and right respectively), while German voters gave a sharp warning to the opposition Social Democrats not to count on a general election victory in October. The Luxembourg government found the ideal solution: it held its general election on the same day as the European one, and did handsomely in both.

If all member states followed that example the European election would get less media coverage, but more people would vote in it; and it would be a striking affirmation of European unity, since all EU citizens would be choosing their national parliaments on the same day. But national governments would probably find it even more difficult to synchronise their political calendars than to agree on a single European time zone, or indeed a single currency. Other ways of imparting a sense of common destiny to the peoples of Europe need to be found. One of the more obvious, prescribed in the Treaty of Rome but still not implemented, would be to elect the European parliament on an EU-wide system.

## Proportional system

That would of course have to be a proportional system, which is why the Conservative party has resolutely resisted it for mainland Britain (even while imposing it on Northern Ireland lest the Catholic population go unrepresented). Reduced today to 18 MEPs, and only one north of the Wash, that party should now realise the error of its ways.

The argument that PR for Europe would be the thin edge for Westminster is bogus – unless one expects the European parliament to produce a disciplined majority for a single-minded European government, which is not exactly Conservative policy. The actual purpose of the European parliament is to reflect the different strands of public opinion throughout the EU. By sticking to a single-member system, which gets less proportional as constituencies get larger, the UK ensures that this reflection is seriously distorted – in the present case giving the dominant Socialists an artificial boost to offset the net loss they suffered in terms of votes.

## Federalist vision

In the Union-wide popular vote, these elections were in fact a victory for the moderate right. The far right was happily defeated in Germany, and fell back slightly in both France and Italy. The European People's party (Christian Democrats and allies) did well in Spain, where it benefited from Mr Gonzalez's decline, and in the successor states of the Holy Roman Empire – Germany and Benelux, to which one might add Austria, where the referendum result was above all a triumph for Mr Alois Mock. This central core of Europe, it seems, is still wedded to a federalist vision, while in France and Italy conservatives of a more Euro-sceptic bent are on the rise.

When all that is said, the difference between the results in the UK and Germany remains striking. Both countries have been piloted through gruelling recessions by conservative leaders who have taken a battering from both media and opinion polls, not least for their alleged willingness to sacrifice national interests and sovereignty on the altar of Maastricht. But while John Major has tried desperately to appease the Euro-sceptic wing of his party, Helmut Kohl has ploughed resolutely on, tirelessly inciting his countrymen to lift their eyes from the small print and remember how much is at stake in the success of the European enterprise. The results speak for themselves.

# Councils and the Concorde fallacy

The Concorde fallacy is the name given to the belief that it is a waste of money to pull the plug on a project once you have invested a lot in it. The Anglo-French supersonic aircraft swallowed huge sums of public money long after it became clear that it would never yield a profit. Local government reorganisation in England has become the political equivalent of the fallacy, with the government unwilling to stop a process that can only increase its unpopularity.

The government has contracted out the process to a quango, the Local Government Commission chaired by Sir John Banham. It hoped to see the present two-tier structure of local government outside the big cities replaced with single-tier unitary authorities. The commission would do the legwork, producing proposals for each area tailored to local needs.

Unfortunately it has not been that simple. The commission has produced widely differing proposals, ranging from no change to complicated permutations of unitary and two-tier authorities. Some of the commission's recommendations have been welcomed. The restoration of tiny Rutland, swallowed by Leicestershire in 1974, has gladdened the hearts of the 33,000 residents even though it could add as much as £125 a year to their council tax bills.

But proposals that involve abolishing or shrinking historic shire counties have produced intense opposition. Business fears that it will have to deal with a multiplicity of authorities that are too small to think strategically. MPs and councillors feel that the abolition of counties with records for modestly efficient administration is unlikely to improve the quality of local government.

## Heavyweight support

Opponents of reorganisation have received heavyweight support from a recent Audit Commission report on the likely costs. The local authority watchdog warned that new authorities might inherit depleted reserves and high spending commitments. During the 1974 reorganisation of local government, the building of new municipal swimming pools ran at three times the normal annual level. Councils facing abolition find the spending of reserves on tangible memorials irresistible.

The form of the reorganisation might have been designed to increase costs. Where unitary authorities are created, each must employ managers to deliver the services previously provided by a single county – instead of one education director, there will be several. And since most of the new unitary authorities will be larger than existing districts, merger costs will be substantial. There is unlikely to be much change left out of £1bn for the costs of the shake-up. Since reorganisation will happen in the run-up to the next general election, backbench MPs fear that they will pay the price.

## Put on ice

Reorganisation also threatens attempts to improve the management of local services, according to the Audit Commission. Managers are already devoting their time to chasing top posts after reorganisation. Policies such as compulsory competitive tendering – responsible for improving the efficiency and effectiveness of local services – are being put on ice during the transition.

Local government needs to be able to act strategically, deliver local services responsively and be locally accountable. A two-tier structure is the best way to achieve this, with larger strategic county councils and smaller districts to provide services. The single-tier authorities emerging from the Banham commission seem too large to be truly local. Yet they will be too small to handle strategic functions which will have to be passed to joint boards and quangos. The outcome will be more bureaucracy and less accountability.

It will not be easy for the government to call a halt to local government reorganisation. Opportunities to do this at an earlier stage were foolishly rejected last year. Now even more political capital has been sunk in the project. There is a case for unitary status for a few larger cities such as Leicester and Bristol and for abolishing unpopular new counties such as Avon and Cleveland. But in the rest of the country, scrapping reorganisation would produce a huge cheer and a welcome setback for the Concorde fallacy.

# Hunters look for choicest morsels

## With fee income static, UK accountancy firms may have to make big changes in strategy, says **Andrew Jack**

Stagnant revenues, job cuts, growing competition: the latest snapshot of trends affecting the UK's leading accountancy firms highlights the likelihood of a widespread restructuring in the profession.

Data from the top 30 firms published last week reveals total fee income of £3.4bn was all but static in 1993-94 compared with the previous year. Half of the top firms reported a decline in revenues, including Touche Ross, one of so-called "big six" firms, which fell 0.8 per cent to £332.9m, taking it from fifth to sixth place in the accountancy league table.

"It's been a very, very difficult year," says Mr Nick Land, managing partner of Ernst & Young, which dropped from third to fourth place despite raising fee income 3.8 per cent to £388.4m. "It's still very hard out there. A lot of my managers are very cautious looking forward. It's very competitive."

The gloom might have been worse without the counter-cyclical income from insolvency work. Economic recovery is now cutting that source of revenue but has not yet proved sufficiently strong to ensure a return to the high growth rates in audit fees that the firms experienced in the late 1980s.

Faced with these pressures, in the past two years accountancy firms have begun cutting jobs and other overheads. The number of partners has dropped by 7 per cent in the past 12 months and the number of other professional staff whose work is charged to clients by 6 per cent.

"I think all the firms have more cuts to make," says Mr Ian Brindle, senior partner of Price Waterhouse, which dropped from fourth to fifth place after reporting almost unchanged revenues of £384.6m for 1993-94.

In spite of such pessimism, the figures do not tell the whole story and have to be read with caution. The firms only reveal the gross revenues received from clients. As partnerships they are not obliged by law to reveal their profits or losses, and currently they have no intention of waiving this right.

It is also difficult to make comparisons between firms, given the different ways in which the information is collected and the growing diversification in the activities of the firms which has reduced the areas in which they are direct competitors.

In particular, some of the larger firms argue that there is a glaring difference between themselves and Andersen, which comprises Arthur Andersen and Andersen Consulting, and which has jumped in the past two years from sixth to third position in the league table, with total fee income of £433.6m in 1993-94.

Much of Andersen's income comes from its management consulting work and from "out-sourcing" – the process of taking over and running contract functions such as computer, accounting and tax work that clients would previously have run in-house.

Mr Peter Smith, chairman of Coopers & Lybrand, unchallenged as the UK's largest firm with revenues of £560m, hints at a widespread feeling that Andersen should be seen as in a different sort of business: "I don't see that it makes sense to aggregate high-level intellectually-based consulting services with hangers full of people running computers."

Andersen has been successful in exploiting the markets that rivals such as Price Waterhouse attempted to emulate at its cost during the late 1980s with a consulting arm that subsequently had to be restructured with substantial job losses. "Let them [other firms] say whatever they want," counters Mr Jim Wadia, Arthur Andersen's managing partner. "We want to grow and succeed."

Part of Andersen's success is due to its ability to control overheads, the premium it pays to recruit the best graduates, the provision of high quality training, and good management information systems.

Other large accountancy firms are considering similar methods to boost their profitability. But if Andersen's rivals believe the prospects are as gloomy as they make out, they also face a number of strategic choices: whether to continue offering a broad range of professional services or to specialise in just a few; whether to offer high-fee advisory services or high-volume "outsourcing" and similar products; and whether to serve a wide group of clients or focus on particular industrial sectors.

Mr David Maister, a US-based consultant to professional firms such as accountants and lawyers, likens the large firms during the 1980s to the "hunter-gatherers" of nomadic tribes, always roaming for new products. "Everyone's job was to hunt buffalo, but when they saw a goose they thought 'just kill meat whatever it is.'" If one firm started offering a new service, the others felt they had to follow.


Colin Sharman of KPMG: 'You can see quite clear differences emerging between the firms'


David McDonnell of Grant Thornton: 'The second tier will reduce to maybe three or four'

**UK ACCOUNTANCY FIRMS' FEE INCOME**

| Firm | 1993/94 (£m) | % change on 1992/93 | % of fee income from: Audit | Tax | Mgement consultcy | Insolvency |
|---|---|---|---|---|---|---|
| Coopers and Lybrand | 560.0 | +1.3 | 45 | 22 | 22 | 11 |
| KPMG Peat Marwick | 497.6 | +1.4 | 40 | 22 | 14 | 10 |
| Andersen | 433.6 | +11.7 | 19 | 16 | 58 | 7 |
| Ernst & Young | 388.4 | +3.8 | 43 | 28 | 18 | 10 |
| Price Waterhouse | 384.6 | +0.6 | 41 | 28 | 22 | 9 |
| Touche Ross | 332.9 | –0.8 | 40 | 23 | 21 | 12 |
| Grant Thornton | 107.0 | –6.0 | 35 | 30 | 4 | 24 |
| BDO Binder Hamlyn | 106.5 | –1.8 | 60 | 29 | 4 | 7 |
| Pannell Kerr Forster | 79.7 | –4.1 | 46 | 24 | 6 | 16 |
| Stoy Hayward | 78.0 | +4.4 | 48 | 21 | 11 | 20 |

This approach worked when volumes were growing rapidly, but there was little attention to longer-term strategy or the costs being built into operations. In the 1990s, Mr Maister warns that clients are becoming more cost conscious and more critical of services the firms provide.

There is evidence that some firms are beginning to respond to such pressures. At KPMG Peat Marwick, the second largest firm with income of £497.6m last year, Mr Colin Sharman, senior partner, says: "You can see quite clear differences emerging between the firms. We will focus more on the core services of audit, corporate finance and recovery [including insolvency and company restructuring], tax and business transformation consulting. We want to be seen as advisers."

KPMG has restructured the firm around teams of professionals with a range of skills serving particular industry sectors, rather than organised along traditional lines such as tax and consulting. Coopers is also in the middle of a wide-ranging re-organisation around industry groupings.

Mr Sharman predicts that several of his large rivals including Touche and Andersen will offer a broader range of services such as out-sourcing, which may offer lower margins but which, because of the high volumes, can also be profitable if managed well.

Mr Maister predicts that one of the large accountancy firms may within the next few years abandon auditing, while another firm specialises in nothing else to provide highest quality. "Audit is low growth, low fee and brings a high risk of litigation," he says.

Mr Sharman is sceptical, however, pointing out that the statutory audit each year of British companies provides a launching pad from which firms can sell other services to the client. "It's too much of an annuity stream to give up," he says.

While decisions about strategy are important for larger firms, they are still more pressing for their medium-sized rivals. The past few years have witnessed growing consolidation of the profession. Of the income generated by the top 30 firms, the "big six" alone take 76 per cent.

While there will probably always be scope for small high-street practitioners, there is a question-mark over the viability of 15 middle-ranking firms. Mr David McDonnell, managing partner of Grant Thornton, the seventh-largest UK firm, says: "The current position is not sustainable. The 'big six' may become five or four but the next tier will reduce to maybe three or four firms within a few years."

The answer, he argues, is to specialise. The costs of remaining generalist providers will make mid-size firms' fees uncompetitive with smaller, high street rivals which have lower overheads and concentrate on a few basic services. Grant Thornton, for instance, has abandoned much of its work for larger clients, and is specialising in offering general business advice to fast growing companies.

Other mid-size firms may either fold, or be forced to merge: either with each other, or – for the handful that still have large clients – with a big firm. One of the last of these – the combination of BDO Binder Hamlyn, the eighth-largest firm, with Andersen – is likely to be completed over the summer, in a move which will probably propel it to second place in the league table next year.

Like, their larger counterparts, mid-size accountancy firms are having to come to terms with the prospect of much more sluggish growth in the 1990s than they experienced in the past decade. This presents a particular challenge to the current generation of senior partners across the accountancy sector who have been used to management in periods of high growth, and only in recent years have faced stagnation. As Mr McDonnell of Grant Thornton says: "We will have to adjust to the difficulty of operating for the long-term in a low inflation, low growth economy".

# Can aid buy Palestinian peace?

PERSONAL VIEW

Even before the Israel-Palestine Liberation Organisation accord on the principles for peace negotiations was concluded, the US and European countries rushed to offer massive economic assistance to the nascent Palestinian autonomous entity. It is gratifying that policy makers realise, at last, that economic growth is vital to the success of the peace process. Yet it is also to be feared that this aid will not only be wasted, but may even increase political rivalries in an already fractious Palestinian society.

There are signs that donor countries are aware of the risks involved in funnelling massive aid through the PLO, an organisation that has hardly excelled in managing its own considerable treasure. However, concern about how efficiently aid will be used,albeit important, misses the more fundamental issue: the impact any large amount of aid, however well administered, is likely to have on the politics and society of recipients.

Massive aid inflates an anti-productive public sector and inflames political competition for the resources it makes available. In the Middle East – where statism already exacts a high economic toll even in such wealthy countries as Saudi-Arabia, and where politics are not blessed by moderation – large amounts of aid tend to have grave repercussions.

It is encouraging that the World Bank, which was put in charge of implementing western the aid from western governments to the Palestinians, has endorsed reliance on markets and private initiative. It also seems determined to provide aid only for infrastructure development, such as roads, water purification and sewage systems.

Western recognition of the dangers inherent in aid was underscored by the British foreign secretary, Douglas Hurd, at a recent London conference. He asserted that donor nations were determined not to repeat the mistakes of the past. They will do all they can, he claimed, to ensure that aid promotes private sector initiative.

Such sentiments are good news, so far as they go. But the World Bank will have to struggle against the grain of most European bureaucracies if it is to translate its good intentions into effective policy. Unfortunately, these bureaucracies are inclined to encourage political meddling in the economy, ostensibly to correct market failures. Their encouragement of a dominant public sector may pose a real danger to the economic success of the autonomous entity – and, ultimately, to the peace process.

**The fledgling administration could be overwhelmed by political results of a flood of easy money**

Furthermore, worries remain not just about how the aid will be used, but about its size. The fledgling Palestinian administration could easily be overwhelmed by the political results of a flood of easy money.

The economic agreement reached between Israel and the PLO in Paris does seem to offer a promising opportunity for private sector development. It posits open borders between the parties and should facilitate a fair degree of movement of people and goods among them.

Nevertheless, beneficial co-operation cannot materialise without structural reforms in Israel's own economy. Since Israeli markets are highly regulated and dominated by powerful monopolies and oligopolies, which render market access difficult even for small, or newly formed Israeli enterprises, freedom of access granted to the Palestinians will not be as beneficial as hoped. Worse still, this agreement may encourage Palestinian Arabs to adopt economic institutions similar to those prevailing in Israel.

The Israeli economy has long been managed by a cabal of economists and bureaucrats, along with their "private" sector associates, who think they know everything better. They control market forces because they are determined to bend them to the service of ephemeral "national goals" or to "correct" market failures or avoid "unconscionable" profits by speculators. The unfortunate results include a banking system that has had to be bailed out by the government and a decade of stagnation of output per head. Palestinian economists could easily contract the same hubris, with worse consequences.

The balance between the forces that can promote and undermine the peace process is delicate and volatile. Manageable quantities of economic aid, focused on building basic infrastructure, along with limited emergency aid to alleviate the plight of the unemployed, would encourage those supporting peace.

Western governments and their aid agencies must, however, guard against the political manipulation of aid, which could undermine growth and destabilise Palestinian Arab society. It would do so by encouraging rivalries between competing factions and promoting corruption and nepotism. This is, in turn, likely to exacerbate radicalism and militant fundamentalism, so frustrating all hope for peace in the near future.

**Daniel Doron**

*The author is director of the Israel Centre for Social and Economic Progress*

# OBSERVER

## Salad days are over

■ There's no such thing as a free lunch in banking any more. Nowhere is this more true than at Merrill Lynch in New York where the firm has suddenly stopped paying for its traders to be fed at lunchtime.

The giant securities firm used to pick up the $5.45 lunch tab in the hope that it would keep its traders working at their desks all day long. However, Merrill has told its traders that from now on they must pay for their own sandwiches and salads during the lunch-hour.

Merrill refuses to disclose how much it will save, but analysts put the figure at no more than $500,000 a year – small change for a firm which made bumper profits of $1.4bn last year. So could the decision to stop underwriting the traders' lunch bills have more to do with physical – rather than financial – belt-tightening?

## Ill defined

■ Amazing things these computer spell-checkers. David Burns, a London-based banker who does business in Spain, reports that his checker suggested "bozos" was a better way of spelling bonos, the Madrid government's volatile bonds. It also recommended that IRPF, the acronym for Spain's swingeing income tax, should be rendered "irrupt".

Burns then keyed in (Mario) Conde, the disgraced financier who was removed from the chairmanship of Banesto by the Bank of Spain. The machine thought "conned" a reasonable alternative. (Luis) Valls, the distinguished chairman of the profitable Banco Popular, came up as "value".

For the IU, the Communist party's Izquierda Unida coalition which campaigns for greater public spending, the checker proposed "IOU". The Catalan nationalist coalition CIU, the power-broker in Spain's hung parliament, flashed up as "CIA".

Clearly the machine has inbuilt anti-Spanish sentiments. El Pais, one of the top newspapers, it regards as "El Pain".

## Wright on

■ At last some good news. Reuters news service carried a reassuring headline yesterday:

"Boeing 777 lands after first flight."

## Reading matters

■ Silver lining for Liberal Democrats reflecting on the party's narrow failure to win the European seat of Devon and Plymouth East after a "Literal Democrat" candidate polled a mammoth 10,000 votes. It highlights the wisdom of the party's policy of earmarking an extra 1p of income tax for spending on education.

'I'm an abstaining conservative with a small 'c' '

## Border patrol

■ The recent Gatt symposium in Geneva on conflicts between free trade and environmental protection was purring along peacefully until Philippe Sands, a young shirt-sleeved legal type, mischievously provoked Richard Eglin, director of Gatt's Trade and Environment division.

Sands, founder of London University's Foundation for International Law and Development, started annoying Eglin by quoting ebulliently from a much-leaked Gatt panel ruling on a dispute between US and Mexico over the harm that tuna fishing can cause to dolphins. Eglin, normally a suave, unflappable sort, responded that he "can't see why people accuse us of lack of transparency – this hall leaks like a sieve".

However, rather than quit while he was ahead, Sands kept on prodding Eglin and the 300-odd delegates to think of an exception to his strongly held belief that most pollution crossed national borders.

Eglin offered "noise pollution" as an example. Sands nodded at the truth of this; but it gradually began to dawn on him – along with everyone else – that the remark might have been directed at him.

## Blown over

■ Meanwhile, another little environmental tiff seems to have been patched up at last. Britain's environment secretary John Gummer was seen walking arm-in-arm into an Oslo hotel yesterday with his Norwegian counterpart, Thorbjoern Berntsen. Berntsen, it may be remembered, was the man who told a Norwegian election rally last August that Gummer was "the biggest *drittsekk* I have met in my life".

Attending a two-day international meeting to sign a UN deal on curbing acid rain, Gummer told reporters that he had no hard feelings – both were good friends again. Fortunately for Berntsen, the Norwegian electorate was spared the picture of him cuddling up to Norway's number one environmental enemy. Conveniently, the state-owned TV and radio network was on strike yesterday.

## Canny response

■ An Essex man has pleaded guilty to leaving a device comprising a jam-jar, petrol, battery, wires and a clothes peg in a derelict caravan. His solicitor, in a plea of mitigation, told Chelmsford Crown Court that there were others involved in the plot to clear the site of illegal caravans and that his client was "carrying the can for everybody on that site".

## Guardez l'argent

■ Who said inflation was dead? Harrods, the Knightsbridge souk, has started charging female customers one pound to "spend a penny". The store says that its new loo, complete with marble floors and high-tech flushes, offers customers "a chance to get away from it all". But with prices like that, Observer is reminded of the old adage that if you look after the pennies, the pounds take care of themselves.

FINANCIAL TIMES
Tuesday June 14 1994



Pyongyang retaliates for suspension of technical aid

# North Korea pulls out of atomic energy agency

By John Burton in Seoul

North Korea yesterday announced it was withdrawing from the International Atomic Energy Agency, but stopped short of taking the more serious step of pulling out of the nuclear non-proliferation treaty.

Pyongyang said it would no longer permit IAEA inspectors into the country, indicating that it would eject two agency inspectors who are now monitoring the storage of spent fuel rods at the North's nuclear facilities at Yongbyon.

The North Korean action was taken in response to a decision by the agency on Friday to suspend technical aid to Pyongyang as a symbolic penalty for its refusal to allow full international inspections.

"Any unreasonable inspection can never be allowed until it has been decided whether we return to the non-proliferation treaty or completely withdraw from it," said the North Korean foreign ministry in a statement.

North Korea claims that it has not been subject to the full inspection demands by the IAEA since it suspended its threatened withdrawal from the non-proliferation treaty last summer.

"This stand of ours will never change until our nuclear issue has been solved fairly through dialogue and negotiation," the ministry said. Pyongyang has insisted that the issue should be solved in direct US-North Korean talks.

Former US president Jimmy Carter is expected to go to Pyongyang tomorrow in an unofficial attempt to keep dialogue open. North Korea may be seeking US diplomatic recognition and economic aid in return for allowing full international inspections.

But Mr Kim Deok, South Korea's intelligence chief, warned yesterday ahead of the announcement that North Korea's "ultimate goal is to develop nuclear weapons and they are now employing delaying tactics to earn time."

South Korea is to stage one of its largest civil defence exercises in recent years to prepare the population for a possible conflict with the north.

South Korea will conduct an emergency mobilisation exercise for the nation's 6.6m reservists over the next two days which will coincide with an air-raid drill tomorrow covering the whole country. Air raid drills, whic occur every three months, are usually limited to the capital, Seoul.

North Korea's withdrawal from the IAEA is expected to add momentum to efforts by the US, Japan and South Korea to persuade the UN Security Council to impose phased sanctions against North Korea. China has so far opppsed sanctions.

# India offers deal to Kashmiri militants to release Britons

By Alexander Nicoll in London and Stefan Wagstyl and Farhan Bokhari in Muzaffarabad, Pakistan

The kidnappers of two Britons in Kashmir were offered a "safe passage corridor" by the Indian authorities yesterday to facilitate the quick release of their captives.

Mr David Housego, father of a 16-year-old who is one of the captives, last night issued a statement, intended to be heard by the captors, detailing assurances given by the Indian authorities after meetings he had with them in Srinagar.

"Both the British government and I have received assurances from the state authorities that no operations will be carried out which will in any manner endanger the release of Kim [Housego] and David Mackie," Mr Housego said by telephone from Srinagar.

"The assurances I have received also include giving a safe passage corridor to Harkat-ul-Ansar [the militant group] to enable the relase of the two Britons within 24 hours or even sooner."

The assurances appeared to meet the concerns of the captors, who had said release was being hampered by the presence of Indian forces.

Mr Mohammad Farooq Kashmiri, Pakistan-based leader of Harkat-ul-Ansar, yesterday urged Indian troops pursuing his fighters to pull back to create an opportunity for the captives to be released.

He told the Financial Times in Muzaffarabad, capital of the Pakistani-governed region of Kashmir, that he had given instructions that the safety of the two "guests" should be absolutely assured. But he was concerned that Indian security forces who had cordoned the area in which the militants were hiding had come very close.

"Nobody wants anything to happen to our guests because that would be a discredit to our organisation," said Mr Kashmiri.

Mr Kashmiri said the Britons had been captured because they had strayed into an area in the mountains where militant fighters had camps.

# BIS warning

Continued from Page 1

easier if financial instruments could be limited or capital movements controlled.

"Global markets are now so highly integrated that suppressing the symptoms of investor preferences in one market would simply lead to their manifestation elsewhere."

Although the BIS report said the "potential for instability in these markets is extremely high," it suggested that by strengthening disclosure and internal controls, market participants could be protected from their own mistakes.

Mr Wim Duisenberg, BIS president, told the meeting it was important to strengthen the resilience of individual financial institutions.

# Renault to build in Vietnam

Continued from Page 1

Vietnam with Proton, the Malaysian carmaker in which it holds a minority stake, and Vietransci-mex, a Vietnamese national company.

They are forming a joint venture – Vina Star Motors Corporation – in which Mitsubishi Motors, Mitsubishi Corporation and Proton will each hold stakes of 25 per cent, to assemble the Mitsubishi Delica minibus. Production is to start next March.

Mekong Corporation, a Japanese-South Korean joint venture with Vietnamese companies, assembles four-wheel-drive vehicles at a plant in Ho Chi Minh City and has a plant near Hanoi that produces light buses and trucks in co-operation with Iveco, the commercial-vehicle subsidiary of Fiat of Italy.

Meanwhile, Reuter reported yesterday that a senior official of Vietnam Motors in Hanoi had confirmed that the Vietnamese government had decided to raise taxes on imported cars to 200 per cent from the present level of 150 per cent from July 1. Most imported cars come from Japan.

"We hope it will be very good news for us because imported cars will be very expensive," said Mr Joaquin Roa, VMC general manager.

The impact of the higher tax would depend, however, on effective policing of the borders to prevent smuggling.

Vietnamese officials reportedly said the higher taxes were designed to support the Mekong and VMC operations, both of which produce below capacity.

# Pension ruling threatens Italian budget

By Robert Graham in Rome and Andrew Hill in Milan

Italy's Berlusconi government was studying ways yesterday to respond to a constitutional court decision that threatens to add L30,000bn ($20bn) to this year's spending on pensions.

The cost estimate by Mr Clementi Mastella, the labour minister, followed a court ruling that the government was liable for arrears dating from 1983. The announcement led to an immediate fall in Italian government bond prices.

If the amount has to be paid in full, it would have a serious effect on public finances and undermine calculations on the need for a pre-summer mini-budget and for the preparation of the 1995 budget.

Last Friday, the constitutional court ruled on a longstanding case brought by pensioners who claimed to have been denied proper state pensions dating back to 1983.

The court ruling obliges the government to make good the difference between the reduced benefits and the full pension entitlement denied as of 1983. As many as 600,000 people may be involved.

Initially it was thought that the one-off cost of funding arrears would be L6,000bn – but at the weekend the estimates were revised sharply upwards. It is also thought that the additional annual burden after the payment of arrears would be more than L600bn.

The court's decision is a further example of courts giving favourable interpretations to actions brought in defence of pensions, so helping to make Italy's state-run system the most costly and deficit-ridden in Europe. The government will find it difficult to circumvent the ruling.

The decision comes as economy ministers are weighing the need for a mini-budget before the summer recess to hold the public-sector deficit to about L154,000bn. That compares with the original estimate of L145,000bn, equivalent to 8.7 per cent of GDP.

The previous Ciampi government had indicated that a mini-budget was needed to find some L7,000bn to L10,000bn in a combination of spending cuts and extra revenues.

However, Mr Giancarlo Pagliarini, the budget minister, said yesterday he believed the mini-budget need raise no more than L5,000bn. Some in the cabinet want to avoid a mini-budget altogether, to encourage a timid economic recovery and concentrate efforts on the 1995 budget.

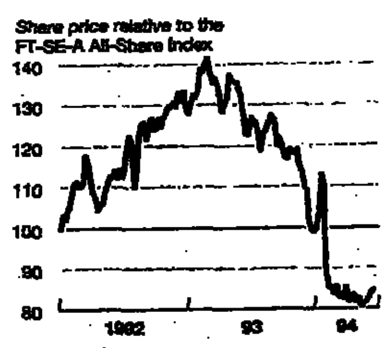
If the government has to pay the pension arrears, then a mini-budget would be inevitable. Given prime minister Silvio Berlusconi's stated aversion to raising taxes, he would rely mainly on spending cuts.

THE LEX COLUMN

# Fiscal fears

FT-SE Index: 3016.3 (-39.6)

Christian Salvesen




Source: FT Graphite

It would be dangerous to read too much into yesterday's steep falls in UK equities and gilts, given the low trading volume in both markets. Financial markets have a lot to contend with just the same. Not only have the disappointing results for the government in the Euro-elections given rise to demands for tax cuts, there is growing unease on the inflation front, too. The latest producer price figures look fine as far as output prices are concerned. Input prices, however, have stopped falling on a year-on-year basis, which is bound to add to nervousness ahead of Wednesday's average earnings figures.

Since November's budget, the policy balance has involved a combination of relative fiscal tightness with monetary looseness. The political temptation now might be to alter that mix, especially since growth looks set to keep the public sector borrowing requirement moving downwards. Presumably more votes are to be gained by scrapping the next increase in VAT on fuel than would be lost by raising base rates, especially given the proportion of voters who either have fixed rate mortgages or still depend for income on building society deposit accounts.

This week's Mansion House speech may yield some clue about the chancellor's thinking. Given present funding difficulties, the gilts market would probably respond badly to a softer line on taxes. In theory, higher economic growth means equities should have less to fear. But what would be billed as tax cuts might simply be tax increases foregone, while evidence of another volte-face by a beleaguered government would hardly instil confidence in any market.

## Stock exchange

On the surface, profits notched-up by stock exchange member firms last year look respectable enough. If 1993 proves to be a year of peak profits, though, a 20 per cent pre-tax return on capital is hardly an adequate compensation for the risks. The market has recorded one year of aggregate losses and three years of single-figure returns on capital in the last five. Even if hurdle rates are being reduced in response to lower inflation, investors would normally demand more from such a volatile business.

True, the overall numbers can be misleading. Around 15 to 20 per cent of firms are likely to make losses even when the market is booming, which depresses the aggregate return. There is a wide spread of performance between small private client stockbrokers and the biggest integrated firms. But given the weak performance of equity markets this year, most firms will be hard pressed to match their 1993 performance. Dealing profits, which account for the biggest swings in revenue, will be especially hard to come by.

It is difficult to judge whether London is notably more or less profitable than other markets. On a broadly comparable basis, New York Stock Exchange firms made a 17 per cent return on capital last year. Yet profitability in the previous two years appears to have been higher than achieved in London. The danger must be that London firms allow their costs – especially staff costs, which account for almost half the total – to be set in markets which can better afford to pay.

## Salvesen

Christian Salvesen's 27 per cent fall against the market since January's profits warning looks overdone in the context of a fall of just 2 per cent in annual profits. It might thus be seen as an example of how the market overreacts to the kind of prompt trading statement now being urged by the stock exchange in situations where traders' expectations lose touch with reality. But the January statement highlighted difficulties with the Aggreko plant hire business, which was supposed to be an important engine of longer-term growth. Since Salvesen is now determined to focus on Aggreko's margins rather than volume growth, the market's response is more understandable. As a specialised business, Aggreko might generate high quality earnings, but that would not warrant a premium rating. Salvesen's present multiple of 13 times earnings does not make the shares particularly cheap.

Salvesen may feel bruised by the market's reaction to its statement, but a re-rating was inevitable given investors' changing perception of long-term growth prospects. Certainly yesterday's statement held out little promise of a rapid rebound in earnings despite the improving economic climate. The Swift industrial distribution business has made a promising start, but its profit base is relatively small. Having chosen to renegotiate its complex arrangement with Marks & Spencer at a time when interest rates are low, Salvesen can no longer look forward to the benefit of rising rates. Management would describe the renegotiation of this archaic arrangement as good housekeeping. Quite so, but it will need more than that to out-perform.

## Amstrad

The Viglen acquisition is the latest and clearest expression of Amstrad's new strategy. Gone are the days of piling gadgetry high and selling it cheap, which made chairman Mr Alan Sugar famous. Margins on that business are wafer thin. Instead, the group is using its cash to acquire companies in higher margin niche markets. One of the attractions of Viglen is that it supplies personal computers direct to customers, cutting out middle men.

Simultaneously Amstrad is turning itself into a holding company. There are so far four divisions: its original consumer electronics business; Betacom; Dancall, bought last year; and now Viglen. Further acquisitions seem probable given that Amstrad will still have cash after paying for Viglen.

Viglen looks like a risky purchase. Though its executives have built it into a well-regarded business, their golden handcuffs will last only three and a half years. It is hard to see what competitive advantage Viglen will retain, if and when they leave. Nor is it obvious that Mr Sugar's proven skills as a mass marketeer can add much to a niche player like Viglen. His personal involvement is less important than it was. The implementation of the new strategy will largely depend on the business acumen of Mr David Rodgers, due to join as chief executive in August and about whom the stock market so far knows little.

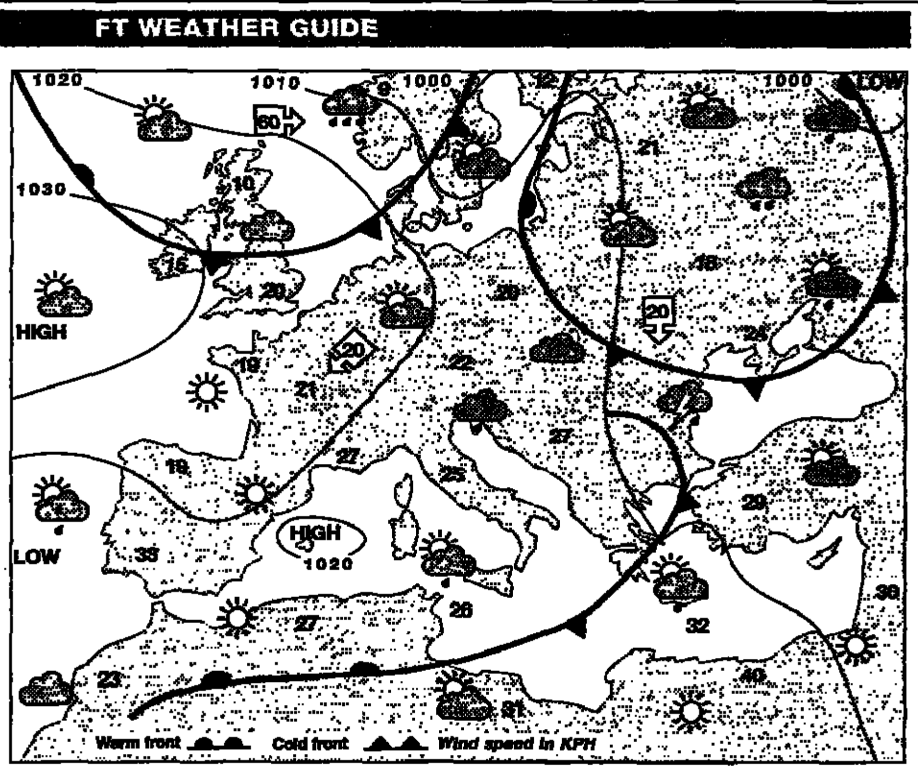
FT WEATHER GUIDE

## Europe today

A strong ridge of high pressure from the Atlantic to western Europe will expand eastwards. The British Isles, the Benelux, France and Spain will be dry but relatively cool, though south-east England will reach 20C. However, central Spain will have tropical conditions. Further east, thundery showers will erupt in unstable air over the Alps, Italy, Greece, and the Balkans. Rain will sweep across parts of eastern Europe and north-western Russia, keeping temperatures generally below 20C. Low pressure just off northern Scandinavia will draw cool and unstable air into Norway, with frequent showers in the west of the country. Finland and Sweden will have sunny spells with just the odd shower.

## Five-day forecast

A strong westerly current over the northern Atlantic will give cloud and showers in Scandinavia. Meanwhile, relatively week fronts will cross much of the rest of Europe. Temperatures will be generally around normal. Many parts of the Mediterranean will be more settled. Showers in Italy will end on Wednesday, followed by dry and sunny weather.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 40 |
| Accra | shower | 30 |
| Algiers | sun | 27 |
| Amsterdam | fair | 20 |
| Athens | thund | 31 |
| Atlanta | fair | 33 |
| B. Aires | fair | 16 |
| B.ham | fair | 18 |
| Bangkok | cloudy | 34 |
| Barcelona | sun | 25 |
| Beijing | fair | 30 |
| Belfast | fair | 16 |
| Belgrade | shower | 23 |
| Berlin | fair | 22 |
| Bermuda | sun | 27 |
| Bogota | rain | 19 |
| Bombay | rain | 28 |
| Brussels | fair | 22 |
| Budapest | shower | 21 |
| C.hagen | fair | 23 |
| Cairo | sun | 40 |
| Cape Town | fair | 20 |
| Caracas | shower | 25 |
| Cardiff | fair | 16 |
| Casablanca | cloudy | 23 |
| Chicago | cloudy | 32 |
| Cologne | fair | 22 |
| Dakar | sun | 27 |
| Dallas | fair | 34 |
| Delhi | shower | 39 |
| Dubai | sun | 39 |
| Dublin | fair | 19 |
| Dubrovnik | shower | 27 |
| Edinburgh | fair | 16 |
| Faro | sun | 28 |
| Frankfurt | fair | 23 |
| Geneva | fair | 25 |
| Gibraltar | sun | 22 |
| Glasgow | fair | 13 |
| Hamburg | fair | 18 |
| Helsinki | fair | 17 |
| Hong Kong | rain | 29 |
| Honolulu | fair | 30 |
| Istanbul | shower | 27 |
| Jakarta | cloudy | 32 |
| Jersey | sun | 17 |
| Karachi | sun | 38 |
| Kuwait | sun | 43 |
| L. Angeles | sun | 26 |
| Las Palmas | fair | 25 |
| Lima | fair | 20 |
| Lisbon | sun | 30 |
| London | fair | 22 |
| Lux.bourg | sun | 23 |
| Lyon | fair | 23 |
| Madeira | fair | 20 |
| Madrid | sun | 32 |
| Majorca | fair | 25 |
| Malta | fair | 26 |
| Manchester | fair | 16 |
| Manila | cloudy | 33 |
| Melbourne | fair | 12 |
| Mexico City | fair | 23 |
| Miami | fair | 33 |
| Milan | fair | 28 |
| Montreal | thund | 27 |
| Moscow | fair | 19 |
| Munich | fair | 23 |
| Nairobi | shower | 28 |
| Naples | shower | 24 |
| Nassau | thund | 30 |
| New York | sun | 31 |
| Nice | fair | 22 |
| Nicosia | sun | 34 |
| Oslo | fair | 22 |
| Paris | fair | 23 |
| Perth | cloudy | 18 |
| Prague | fair | 20 |
| Rangoon | shower | 31 |
| Reykjavik | rain | 10 |
| Rio | fair | 24 |
| Rome | thund | 25 |
| S. Frsco | sun | 22 |
| Seoul | fair | 28 |
| Singapore | cloudy | 32 |
| Stockholm | fair | 22 |
| Strasbourg | fair | 22 |
| Sydney | cloudy | 17 |
| Tangier | windy | 27 |
| Tel Aviv | sun | 34 |
| Tokyo | shower | 26 |
| Toronto | shower | 27 |
| Vancouver | shower | 17 |
| Venice | fair | 23 |
| Vienna | fair | 20 |
| Warsaw | fair | 19 |
| Washington | fair | 32 |
| Wellington | cloudy | 7 |
| Winnipeg | shower | 22 |
| Zurich | fair | 23 |

FINANCIAL TIMES
COMPANIES & MARKETS

 Tuesday June 14 1994



## IN BRIEF

### Sprint nears telecoms alliance

France Telecom and Deutsche Telekom, the state telecommunications operators, are set to announce an enlargement of their international alliance, which is likely to include a co-operation agreement with the US operator Sprint. Page 26

**Swiss foothold for Allianz**
Germany's Allianz, Europe's largest insurance company, has penetrated the highly regulated Swiss insurance market with the acquisition of a 30 per cent stake in Switzerland's Berner Holding. Page 26

**Trans World protests at Emap plan**
Directors of Trans World Communications, the UK commercial radio group, have sought legal advice after Emap, the media and exhibitions group, said it planned to buy 22 per cent of the company. Page 26

**Takeover of Malaysia Airlines proposed**
A leading Malaysian entrepreneur has proposed a takeover of Malaysia Airlines (MAS). The highly-leveraged deal would see Mr Tajudin Ramli take a controlling 32 per cent stake in MAS for M$1.79bn (US$716m). Page 28

**Citic soars 882%**
The China International Trust and Investment Corporation (Citic) reported an 882 per cent increase in profit in 1993 to Yn3.35bn (US$390m), but its annual report provided only sketchy details of how it achieved this leap.
Page 28

**Resignation at Fokus Bank**
The managing director of state-owned Fokus Bank, Norway's third largest commercial bank, has resigned following revelations of alleged irregularities connected to the disposal of a property shareholding. Page 29

**Christian Salvesen slips to £74m**
Christian Salvesen, the UK distribution and specialist hire group, reported its first downturn in annual operating profits since the 1970s with the pre-tax figure slipping from £75.9m to £74.1m ($112m) for the year to March. Page 31

**South African trust for UK**
Old Mutual, the life company which is South Africa's largest institutional investor, is to launch the UK's first South African investment trust. The fund's managers say South Africa combines the growth potential of an emerging market with the developed infrastructure of an advanced industrialised economy. Page 32

**Royal Bank adds to US arm**
Royal Bank of Scotland has announced an addition to its fast-growing US retail banking subsidiary Citizens Financial Group with the proposed $139.9m acquisition of the Massachusetts-based Quincy Savings Bank. Page 33

**Sweet and sour**
The Indian federal government faces political crisis because it failed to recognise in time the extent of shortfall in sugar production in the current season and arrange sufficient imports.
Page 34

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| **Rises** | | | | **Rises** | | | |
| Goldschmidt | 715 | + | 15 | SILIC | 790 | + | 20 |
| **Falls** | | | | **Falls** | | | |
| BASF | 306.1 | – | 8.9 | Air Liquide | 771 | – | 26 |
| Daimler Benz | 747 | – | 28 | Alcatel | 620 | – | 23 |
| Deutsche Bab | 237 | – | 7.5 | Fonc Lyon | 881 | – | 47 |
| MAN | 388 | – | 13.5 | Imetal | 543 | – | 17 |
| Preussag | 426 | – | 14.3 | Valeo | 240.1 | – | 15.2 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Alcoa | 74⅝ | + | 1½ | Fuji Spin | 573 | + | 17 |
| Cyprus Amax | 31⅛ | + | ⅛ | Iseki & Co | 502 | + | 22 |
| Chrysler | 47⅞ | + | 1 | JEOL | 887 | + | 41 |
| Intl Paper | 63⅝ | + | 1¼ | Kyodo Shiro | 548 | + | 52 |
| UAL | 119¾ | + | 2¾ | Nippon Soda | 508 | + | 28 |
| **Falls** | | | | **Falls** | | | |
| Coca-Cola | 39¼ | – | 1½ | Renown | 578 | – | 17 |

New York prices at 12.30pm.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | Cullen's | 11½ | – | 3½ |
| Hawtal Whiting | 108 | + | 6 | Dixons | 187 | – | 6 |
| Halone | 31 | + | 2½ | Eidos | 300 | – | 15 |
| Manganese Bronz | 159 | + | 10 | Essex Furniture | 223 | – | 15 |
| Regalian Props | 31 | + | 3¼ | Eurotunnel Uts | 324 | – | 18 |
| St Modwen | 49 | + | 3 | Harrington Kl | 53 | – | 9 |
| Salvesen (C) | 256 | + | 8 | Jarvis | 13½ | – | 3 |
| UMECO | 48 | + | 5 | RMC | 889 | – | 21 |
| Wessex | 55 | + | 5 | Savills | 83 | – | 4 |
| **Falls** | | | | TI Group | 360 | – | 13 |
| BAT Inds | 419 | – | 13 | Unigate | 392 | – | 10 |
| Brooks Service | 64 | – | 9 | | | | |
| Coms Unico | 508 | – | 25 | | | | |

■ Cosmetics group pays FFr9bn for four of its international distribution companies

# L'Oréal and Nestlé move closer

By Ian Rodger in Zurich and John Ridding in Paris

## Deal yields FFr4.8bn for Swiss food company

L'Oréal, the world's largest cosmetics group, yesterday announced that it was paying FFr8.8bn ($1.53bn) for four of its distribution companies that are controlled by Nestlé and Mrs Liliane Bettencourt, daughter of L'Oréal's founder.

The transactions, which will yield FFr4.8bn in cash to Nestlé, appear to increase the likelihood that the Swiss foods group will one day win control of L'Oréal.

In April, L'Oréal announced that Nestlé and Mrs Bettencourt had agreed to its wish to take over the distribution companies, based in the US, Canada, Switzerland and Spain.

In aggregate, Nestlé's interest in these companies was slightly over 50 per cent. The rest was held by Gesparal, a holding company set up 20 years ago to enable the Swiss group to take a 25 per cent stake in L'Oréal.

Mrs Bettencourt's 51 per cent stake in L'Oréal was put into Gesparal and Nestlé was sold a 49 per cent stake in the new holding company. Under an agreement between the two Gesparal shareholders, each gave the other first refusal on their shares, leading to occasional speculation that Nestlé would take over the cosmetics group.

The agreement expired in March, but Nestlé claimed that the contract provided for the right of first refusal for both sides to continue for many years.

For its part, L'Oréal reiterated that Mrs Bettencourt had always indicated that she would "retain majority control during her lifetime". It also pointed out that Mr Helmut Maucher, Nestlé chairman, regarded its stake in L'Oréal as strategic.

The distribution companies are to be sold to L'Oréal at a price based on the aggregate value of their sales in the year to April 30, subject to the approval of an extraordinary shareholders' meeting due to be held in the autumn. Gesparal will take its compensation in the form of 3.27m new L'Oréal shares at FFr1,225, thus raising its stake in L'Oréal from 51.04 per cent to 53.65 per cent. Once the Gesparal transaction is completed, Nestlé will be paid its share, FFr4.78bn, in cash.

Mr Edouard de Boisgelin, analyst at Merrill Lynch said the deal should have a positive impact on earnings and would strengthen L'Oréal's presence in international markets.

# Wellcome Trust to try venture capital

By Norma Cohen, Investments Correspondent

Wellcome Trust, the UK's largest charitable trust, is seeking to persuade the UK Charity Commission to approve a trustees' decision to put £100m ($150m) into venture capital projects.

It appears the trust would like to invest in US-based venture capital projects. The move, which might take up to three years, would place 2 per cent of the roughly £5.5bn of assets into venture capital, and would be a fillip for the sector.

Permission is not legally required, but the trust would be uncomfortable with an investment which regulators might be unhappy about, Sir Roger Gibbs, director of the trust, said. In July 1987, it secured legal permission to engage in a variety of investment activities, including venture capital, he said.

Sir Roger, in explaining the move to venture capital, said: "We believe it imperative to protect the capital value of our fund whilst at the same time generating a sizeable income for the benefit of medical research." He said income from investments was expected to generate more than £220m this year, more than enough to meet the trust's commitments.

The average UK charity has a "negligible" exposure to venture capital, while the average UK pension scheme has less than 1 per cent of assets in the sector, says WM Company, a performance measurement service.

Venture capital is considered more risky than investment in securities although potential returns are higher. The projects are more speculative and the investments illiquid, depending on either a trade sale or a flotation for investors to realise a gain.

The commission said on Friday that while it had no specific rules barring venture capital investment, charities could invest only in areas set out in their trust deeds. Venture capital is an unusual investment for a charity because it is unlikely immediately to generate the cash most charities require.

There is concern that the commission may view venture capital investment as engaging in a trade or business, activities forbidden to charities. However, advisers to Wellcome Trust believe it has a strong case for venture capital investment. It has ample cashflow to meet its charitable objectives, which involve funding research in the bio-medical field. Some money could be invested in bio-technology companies which commercially exploit scientific research.

**John Gapper** talks to Sir Brian Pitman about the hitch in the UK bank's £1.8bn takeover bid

# Knight cheerful despite sniping

On his first working day as a knight, Sir Brian Pitman had lost none of the ebullience of his last weeks as a commoner. Since he disclosed in April that Lloyds – the big UK bank – had bid £1.8bn ($2.7bn) to take over Cheltenham & Gloucester Building Society, he has insisted that the deal will not be scuppered.

"In my experience, it would be very unusual if two boards of directors are determined to get together, and there are clear benefits to customers and shareholders, that they cannot complete the deal," he said yesterday. C&G is revising the terms of the offer barred by the High Court.

That has been the judgment of the London stock market since last week's court ruling: Lloyds' shares have hardly wobbled. But this has baffled analysts. "If I was a fund manager, I would be selling the shares aggressively," said Mr Neil Baker, banks analyst at Credit Lyonnais Laing. Mr Baker argues that Lloyds' shares will be "very over-valued" if the bank fails to achieve the proposed acquisitions.

It would be the third big setback to Lloyds' acquisition strategy. The bank was rebuffed in its 1986 attempt to take over Standard Chartered with a mixture of preference shares and cash, and in its "proposed" £3.7bn bid for Midland Bank using ordinary shares and cash two years ago.

The confidence of Lloyds' chief executive has not wavered. Sir Brian said that "from the thinking I have seen" it would be possible for C&G to devise a new scheme that would comply with the law. "The Building Societies Commission will want to go through whatever is proposed, but I am hopeful that a scheme can be devised that they find acceptable."

Yet Lloyds could face a sharp reversal of fortune if the C&G bid were eventually blocked, by regulatory constraint or a failure to persuade enough members to vote for it. This would not simply be because it would look accident-prone in failing to consummate large bids.

The C&G purchase answers two difficulties for Lloyds. One is that its UK retail banking business has been growing very slowly. There is little demand for loans, and it has already exploited the easiest opportunities to sell other products such as life insurance to its customers.

The second is that it provides a way for Lloyds to use excess capital more profitably than simply investing it in money markets. Without a C&G into which to plough its surplus earnings, Lloyds would face pressure from shareholders to come up with an alternative.

Tony Andrews
Sir Brian Pitman: 'I am hopeful that a scheme can be devised'

Lloyds' attempts to grow by acquisition fall into three categories:

- Small agreed purchases of niche players. Examples include its 1984 purchase of Schroder Munchmeyer Hengst, a German private bank, and its acquisition last year of the Agricultural Mortgage Corporation for £27m. Sir Brian argues that such purchases exemplify Lloyds' strategy "of selective market leadership".
- Large hostile takeovers, such as the tilts at Standard Chartered and Midland. Sir Brian defends the logic of both deals. Yet his appetite for hostile deals appears to have been diminished by the Midland affair. Other Lloyds directors were disturbed at the controversy it created.
- Medium-sized agreed deals. The obvious example, apart from C&G, is the move which saw Lloyds swap a set of businesses, including estate agencies, for a 57.6 per cent stake in Lloyds Abbey Life in 1988. This also bolstered its retail banking.

Analysts differ on what sort of deal Lloyds might seek if it was left with its £1.8bn after being jilted by C&G members. A fresh large hostile bid seems to have become less likely. But Lloyds would have to buy a lot of niche players to spend its money.

One possibility would be a private bank or fund manager. This could help to meet demand for alternatives to savings deposits. But Mr Chris Ellerton, an analyst at S.G. Warburg, says it would cost more and involve more risk because "you would be buying people rather than net assets". Mr John Aitken, an analyst at UBS, suggests that Lloyds might even be driven to a revolutionary move – giving the money back to shareholders in a special distribution.

# KPN beats market on its first day

By Ronald van de Krol in Amsterdam

Koninklijke PTT Nederland, the partially privatised Dutch telecommunications and postal company, staged a moderate rise on its first day of trading on the Amsterdam Stock Exchange yesterday.

The shares, priced at Fl 49.75 last week, opened at Fl 50.50 and quickly rose to a high of Fl 50.70 before falling back to close at Fl 50.20.

The premium was more pronounced for private investors, who had been offered a discount of Fl 2.50 per share up to a maximum of 75 shares as an incentive to take part in the largest share launch in Dutch history. Nearly 60 per cent of the shares on offer were taken up by foreign institutional investors.

Trading was active, with more than 17m shares changing hands, a new record for a day's trading in one stock in Amsterdam. The rise in KPN's shares ran counter to yesterday's lower trend for Dutch equities.

The government of the Netherlands sold 138.15m KPN shares – a 30 per cent stake – raising Fl 6.9bn ($3.7bn). A second tranche of KPN shares is expected to be sold by the end of 1997.

The European Options Exchange in Amsterdam also launched options trading in KPN yesterday, the first time in the Netherlands that options and equity trading in a new issue has taken place simultaneously.

The share issue was nearly three times subscribed. Applications from private shareholders were honoured in full up to 75 shares, with a sliding scale for any individual applications above this level. Some 188,500 private shareholders took part, of whom 31,000 were KPN employees.

Allotments to institutional investors varied, based on the judgment of the underwriting banks.

# Moulinex losses deepen

By John Ridding in Paris

Moulinex, the French household appliances group, suffered a net loss of FFr598m ($104m) last year, a sharp increase from losses of FFr41m the previous year.

The company, which is being refinanced,said the results for the year to the end of March included a FFr185m restructuring charge, a FFr132m charge relating to write-downs of research and development investment and a FFr170m provision for product and customer risks.

The refinancing package includes a FFr1bn rights issue, the details of which are being finalised.

Moulinex said that negotiations with Euris, an investment consortium which is planning to take a substantial stake, could be completed by the end of this month.

Recession in many of the group's main markets in western Europe and the impact of exchange rate fluctuations also affected the results. Export sales outside Europe rose strongly, however, limiting the decline in sales to just 2.3 per cent to FFr8.1bn.

Moulinex said it had cut inventory levels and reduced capital expenditure to FFr230m, from FFr569m. These measures, combined with a reduction in the workforce, enabled a fall in debts to FFr2.4bn, from FFr3bn.



# Amstrad enters direct PC sales with £60m purchase

By Paul Taylor in London

Amstrad, the UK-based consumer electronics group run by Mr Alan Sugar, has agreed to pay around £60m ($91m) in cash to acquire Viglen, a private company which builds and sells personal computers directly to its customers.

The deal marks a change in direction for Amstrad which has seen its own PC sales and profits tumble in the face of growing competition.

Mr Sugar, Amstrad's chairman and founder, said the acquisition would add "an exciting new dimension" to the group's businesses. Amstrad's shares closed up ¼p at 31¾p.

Viglen ranks about third in the UK direct PC sales arena with about 7 per cent of a market which last year accounted for about one third of all PC sales. The group posted pre-tax profits before directors' emoluments and exceptional items of £9m in the year to March 31, from £7.9m, on turnover of £72m, up 33 per cent.

Mr Sugar said gross margins at Viglen were around 25 per cent. Amstrad is acquiring assets worth £13.6m. Under the terms of the deal, which is subject to Amstrad shareholder approval, the group will pay £30m in cash initially and a further £30m over the next three years subject to Viglen's profitability.

If Viglen's profits exceed £27m over the first three years the vendors – five members of Viglen's management team – will receive a share of the additional profits.

Amstrad will finance the acquisition using part of its cash reserves.

Mr Sugar said Viglen will continue to operate as "an autonomous unit" within his group and will maintain its management structure, selling methods, products and customer service. The senior management team is being "locked in" with new contracts for a minimum of 42 months.

Mr Sugar said the Viglen acquisition would provide a new source of profits and growth for the group and the price represented a price/earnings multiple of 10. "The acquisition provides Amstrad with the opportunity to purchase a fast-growing business which both complements and strengthen's Amstrad's existing business," he said.

Mr Sugar originally approached Viglen in October and shareholders had been persuaded that a sale to Amstrad was a better alternative to a flotation. Mr Sugar said the sale would enable Viglen to expand its production facilities and accelerate order delivery schedules.

Details, Page 31; Lex, Page 24

# Sprint set to join France, Germany in telecoms pact

By Andrew Adonis in London

The French and German state telecommunications operators are set to announce an enlargement of their international alliance today, which is believed likely to include a co-operation agreement with the US operator Sprint.

Sprint, the third largest US long distance telecoms carrier, has been in negotiations with France Telecom and Deutsche Telekom since the spring about an alliance geared to the international business telecommunications market.

The talks have extended to the terms on which the French and German carriers might inject capital into Sprint, in return for its co-operation in the development of joint international telecoms services for multinational companies.

France Telecom and Deutsche Telekom formed an Ecu1bn ($1.16bn) alliance last December geared to integrating their international data telecommunications networks. In September the two state-owned operators launched a joint venture – Eunetcom – to exploit the international "outsourcing" market, estimated by analysts to be worth about $1bn a year.

The Franco-German link-up, which has still to be sanctioned by the European Commission, followed the signing of a $5.3bn deal between British Telecommunications and MCI, the second largest US carrier, last June.

The state operators of Switzerland, Sweden and the Netherlands also have a joint venture, called Unisource, aimed at the international telecoms market. Unisource has been in talks with AT&T, the largest US carrier.

Executives of the French and German operators have been seeking a US partner for their international activities for more than a year. They were in talks with MCI before the BT deal.

Compared with the domestic revenues of the French and German state operators, the international "outsourcing" market is tiny. But the EU's state operators fear that as liberalisation of EU telecoms services is completed by 1998, they stand to lose significant revenues unless they can offer larger corporate customers "seamless" international networks with cost savings.

# Record for UK securities firms

By Norma Cohen, Investments Correspondent

Last year was the most profitable for the UK securities industry since record keeping began in 1988, with revenues rising by 53 per cent, the London Stock Exchange said yesterday.

Return on capital was also at its highest level, with an average return of 20 per cent recorded. In 1992, the average return was only 3 per cent.

In its Quarterly Report, the exchange said its member firms compared favourably with those of the New York Stock Exchange, where average return on capital was 17 per cent. However, the data are not strictly comparable.

But the survey of profitability notes some worrying trends, particularly the growth in costs. Overall, firms' expenses for the year rose by 15 per cent. However, the pace quickened in the second half of the year when new issue activity and turnover reached record levels.

In the third quarter, expenses rose by 18 per cent and by 34 per cent in the fourth quarter. Salary costs showed the most marked increase, rising 95 per cent over 1992, partly reflecting the effects of profit-related bonuses. By the fourth quarter of 1993, these bonuses accounted on average for 29 per cent of salary costs, up from less than 10 per cent in the first quarter.

The exchange said its research showed the largest and the smallest firms were the most consistently successful. Of the smallest firms, with less than £5m ($7.5m) in capital, 80-83 per cent were in profit in each of the four quarters of 1993. All the firms with capital of more than £150m were profitable during the first three quarters.

Lex, Page 24

# Emap faces battle for Trans World

By Raymond Snoddy in London

Directors of Trans World Communications, the UK commercial radio group, yesterday sought legal advice after Emap, the media and exhibitions group, said it planned to buy Mr Owen Oyston's 22 per cent stake of Trans World.

Mr Oyston, a millionaire businessman, has agreed to sell his stake at 181p a share if an offer is made to Trans World shareholders between now and June 22. Emap, which already owns nearly 30 per cent of Trans World, is seeking a recommended offer at 181p valuing the group at around £70m ($116m). If agreement cannot be reached, Emap is likely to make a hostile offer.

Controversy was growing last night because an Emap takeover of Trans World would breach the legal limit on the number and size of commercial radio licences which can be held by one company.

Under UK broadcasting legislation, no company is able to hold more than six large licences – each broadcasting to more than 1m adults. The combined group would bring eight such licences under one roof.

The Radio Authority, the industry regulator, has agreed, that an "ownership structure" can be put in place for some of Emap's radio interests to enable it to comply with the rules.

# Allianz takes 30% of Berner Holding

By Richard Lapper in London

Allianz of Germany, Europe's largest insurance company, yesterday announced the acquisition of a 30 per cent stake in Switzerland's Berner Holding, in a rare example of foreign penetration into the highly-regulated Swiss insurance market.

The deal is one of a number of recent cross-border acquisitions by European insurance companies, which are expecting an increase in competition as the European insurance market is liberalised.

Allianz, which made the acquisition through its Italian subsidiary, Riunione Adriatica di Sicurtá, did not disclose details of the price.

In recent transactions European insurers have been sold for amounts equal to between 50 and 100 per cent of their annual premium income.

In 1993 the consolidated net premium income of Berner Group, one of Switzerland's leading 10 insurers, amounted to SFr1.08bn ($771m). The group had a 4.7 per cent share of the Swiss non-life market in 1992.

Allianz has extended its operations outside Germany in the past 10 years. It acquired Cornhill of the UK in 1984, and has subsidiaries in most European markets.

In Switzerland it owns two small companies, Allianz Continentale Allgemeine and Allianz Continentale Lebensversicherungs. The companies' premium income amounted to SFr268.5m in 1993.

Allianz said the co-operation with Berner, formed from three smaller companies in 1990, offered "interesting perspectives" for both parties. Although Berner would continue to work as an independently run enterprise, the deal would strengthen its capital base and increase underwriting capacity.

Last week Commercial Union, the UK's largest company, announced that it was poised to pay £1.46bn ($2.2bn) to buy the Abeille Assurances and Abeille Vie operations of Groupe Victoire, France's sixth largest life insurer.

# Kemira prepares to fulfil ambition

## Sell-off plans are nearing completion, writes Christopher Brown-Humes

Ten years ago Kemira, the Finnish state-owned chemicals group, asked to be privatised. This autumn, after considerable political hesitancy and a few market hiccups, it hopes finally to achieve its ambition.

The company, Finland's eighth largest by sales, wants to raise up to FM2bn ($361m) in what would be the biggest issue in the country's accelerating privatisation programme. The bulk of the shares will be offered to international and Finnish institutions (although there will also be a retail tranche), cutting state ownership from 100 per cent to as little as 68.4 per cent. The launch date has still to be finalised, but October looks the most likely month following publication of the group's eight-month figures.

Much will depend on the state of the markets. Given recent bond and equity market volatility, some analysts fear the group may be forced to compromise on the size of the offer or price. They note a sudden rush of big Finnish share issues – Nokia, the telecommunications group, and Outokumpu, the mining and metals group, are currently seeking up to FM4bn between them – which may sap international demand for Finnish shares.

If Mr Heimo Karinen, Kemira chief executive, is nervous about unsettled markets, he is not showing it. He argues that Kemira has done a lot to put its house in order and a cyclical upturn in its main businesses is imminent.

The group embarked on a ambitious acquisition programme in the late 1980s, buying many companies at high prices, just before the market headed downwards. The impact on the balance sheet has been stark: net debt has soared to FM8bn and the group's equity-to-assets ratio has sunk to 17 per cent.

The sell-off is designed to strengthen the company's capital structure, as it and not the state will garner the proceeds. The main aim is to get the equity-to-assets ratio above 30 per cent. But Kemira also wants access to equity capital. Inability to do this in the 1980s forced it to borrow heavily and explains today's balance sheet weakness.

If the issue does go ahead, investors' main concern is likely to be the company's Agro division, which accounted for 48 per cent of 1993 sales and has not made a profit since 1990. In common with other leading fertiliser manufacturers, Kemira has been badly hurt by market overcapacity and a flood of imports from eastern Europe. West European fertiliser demand is still declining by an average of 2 per cent a year.

Mr Karinen admits that Agro will make another loss this year, but he says there are clear signs of a market upturn in Europe, helped by a reduced flow of imports from eastern Europe.

In any case, Agro's relative importance is dwindling fast. Kemira's growth areas are speciality chemicals and titanium dioxide (a pigment used primarily to make paint), where it has strong market positions. Two particularly strong niches are water treatment chemicals, where it is Europe's number one, and pulp and paper chemicals.

Kemira says many of its businesses are starting to benefit from cyclical economic recovery, mainly through higher volumes. But it also believes the strength of its competitive position has been enhanced following heavy rationalisation, currency depreciation and a sharp cut-back in capital expenditure. These factors helped the group to record a FM149.5m net income after taxes in 1993, after two years of heavy losses.

Mr Karinen says Kemira's cost-cutting has been more vigorous than any of its main European competitors, partly because it had more to do than its rivals following its acquisition programme but partly because it acted earlier. The group has cut around 28 per cent of its workforce since 1990, bringing staff numbers down to 11,000.

Currency factors have also assisted the group's revival as more than half of its production is based in Finland, Sweden and the UK. The currencies of all three countries have depreciated sharply over the past two years.

The group has also learned from past mistakes. Its heavy acquisition and investment programme means cash flow after investments was negative from 1984 until 1991. Only in the past two years has it been positive, following a sharp reduction in capital expenditure. The target is to achieve a positive cash flow after capital expenditure of at least FM500m a year, which the company says should be sufficient for further investments.

**Kemira said yesterday that net income after taxes fell to FM215.6m ($38.97m) in the first four months, from FM237.6m in the same 1993 period. Sales were 9.7 per cent lower at FM4.19bn while operating income declined to FM404.1m from FM504.7m.**

**The figures were prepared using international accounting standards for the first time.**

**The group was more positive about prospects, saying results in the second four months should be better than last year. The group's main division, Kemira Agro, is expected to benefit from higher capacity utilisation and declining imports from eastern Europe, while higher titanium dioxide prices will lift the pigments division.**

**Figures were hit by a strengthening Finnish markka, sales of non-core businesses and reduced agrochemical sales to Russia, Ukraine and Belorussia, the group said. The Agro division was also hurt by poor weather conditions which delayed demand for plant nutrients.**

**Operating income was lower in both the Agro and pigments divisions, but there was a better performance from the chemicals and paints activities.**

**Pre-tax profits amounted to FM214.6m, compared with FM238.4m a year ago, after a steep fall in financing costs to FM189.5m from FM266.3m.**

# Ruhrgas slips as competition intensifies

By Judy Dempsey in Berlin

Ruhrgas, one of Germany's largest energy companies, recorded lower profits and sales last year as a result of growing competition, Mr Klaus Liesen, chairman of the board, said yesterday.

Net profits for the group fell to DM729m ($436.5m) last year, from DM796m in 1992, while group sales declined to DM14.34bn from DM14.4bn over the same period. Group earnings per share fell to DM20.58 from DM24.24.

Ruhrgas, which controls about 75 per cent of western Germany's gas supplies and enjoys a virtual monopoly on imports, is facing increasing competition from Wintershall, the gas distribution subsidiary of BASF, the German chemical group.

Under an agreement signed this year, Wintershall dented Ruhrgas's virtual monopoly over gas imports from Russia after it won the right to distribute gas imported from Gazprom, Russia's state-owned gas company, to VNG. VNG is the main east German gas distribution network in which Ruhrgas and its partners holds a majority stake.

Despite more competition, and prospects of eventual liberalisation of Germany's energy sector, Mr Liesing said he expected stronger sales for 1994. Sales for the first five months of this year increased by 4 per cent compared with the same period last year.

Ruhrgas, through VNG, can also expect stronger growth in eastern Germany. Ruhrgas expects demand for natural gas in western Germany to increase by about 25 per cent by the year 2005, while demand in the eastern states is expected to triple.

# Echo Bay steps up search for gold mines

By Robert Gibbens in Montreal

Echo Bay Mines is searching aggressively for new gold mines in Latin America and elsewhere in order to speed growth and offset North America's costly processes for permits, according to Mr Richard Kraus, president.

The company has been working for seven years to develop two gold properties near Juneau, Alaska, and now believes it can bring them into production in 1998. Total capital costs would be about US$370m to Echo Bay and annual output about 500,000 oz.

Echo Bay's 1993 output from producing mines in Canada, Nevada and Washington state was 874,000 oz of gold, up 14 per cent from 1992, and 12.5m oz of silver, up 57 per cent.

Mr Kraus said the offshore search was being targeted at Ecuador, Peru and Chile. Reports of a joint venture in China, however, were premature.

Total exploration spending this year will be US$36m. This includes $1m for geophysical work and drilling for kimberlite on land Echo Bay holds near the Lac des Gras diamond deposits in Canada's Northwest Territories.

"Our properties sit in the Corridor of Hope, running about 200 miles from Lac des Gras northwest to our Lupin gold mine," Mr Kraus said. "We'd raise the budget if we were successful, but for development we'd seek a partnership with a major international mining firm with diamond experience."

The Lupin underground mine has pared costs and has at least another 10 years of life, said Mr Kraus.

He said the big McCoy/Cove mine in Nevada would slow silver production this year to about 9m oz. It is one of the world's three largest silver producers as well as providing gold.

Echo Bay, which is Canadian-based but is operated from Denver, Colorado, has more than $250m in cash and low debt and expects to finance its medium-term programmes internally. Last year it earned $3.6m, or 3 cents a share, on revenues of $366m.

# SGS-Thomson float considered

By John Ridding in Paris

Part of the capital of SGS-Thomson, the Franco-Italian semiconductor manufacturer, could be floated on the stock market in the near future, according to one of its largest shareholders.

CEA Industrie, the French atomic energy commission which holds about 12 per cent of the shares in SGS-Thomson, said a partial flotation of the semiconductor group was being discussed with other shareholders.

These include France Télécom, Thomson-CSF, the state-owned electronics group, and Italy's Finmeccanica and Iri, the state holding company.

CEA said no decisions have been taken on the the timing of a possible partial flotation nor on the method.

Industry observers in Paris said, however, that it would either take place as part of a capital increase for the semiconductor manufacturer or through the sale of shares by existing investors.

The operation could take place by the end of this year or at the beginning of 1995, according to one industry source.

The discussion of plans for a partial privatisation coincide with an improved performance at the group which was created in 1987 through the merger of the semiconductor activities of Thomson of France and SGS Microelettronica of Italy.

Last year, the group reported net profits of $160m, compared with $3.4m in 1992. Further improvement is expected this year, despite expectations of a slowdown in the international semiconductor market.

● Texas Instruments, a leading US electronics group, has introduced a set of computer chips to produce VHS-quality video and compact disc-quality sound for emerging video-CD applications, including movie and music video playback, video games and karaoke, AP-DJ reports from Dallas.

The company said the chips would be available for sampling this summer. Production quantities should be available during the fourth quarter.

# Foreign investors favour Cemig

## Brazilian electricity group attracts interest, writes Patrick McCurry

Brazil's Cemig, Latin America's biggest electricity company in geographical terms, has become a favourite of foreign investors.

*They have been attracted by* Cemig's productivity gains, its low debt and the potential privatisation of Brazil's electricity sector.

However, Cemig's prices are among the lowest in Brazil, raising questions about whether the company can raise profitability in the long term.

Cemig, or Companhia Energética de Minas Gerais, is controlled by the state of Minas Gerais, which owns 84 per cent of its voting shares and 57 per cent of its total capital.

The company was created in 1952 by Mr Juscelino Kubitschek, the modernising state governor and future president, as a generator, transmitter and distributor.

The state has used the company, covering an area larger than France, to gain access to international capital markets. In January, the state sold $200m of eurobonds with equity warrants in the company and it is now planning a private placement of non-voting American depositary receipts (ADRs) for at least $150m.

Overseas interest was stimulated by a Level 1 ADR programme launched last year, and the company is adapting its accounts to US standards for a possible capital issue of Level 3 ADRs next year.

Currently, about 12 per cent of Cemig's capital is held by foreigners, compared with almost nothing three years ago.

Cemig has proved attractive to international investors in spite of an operating loss of $165m last year following combined operating losses of nearly $200m in 1991 and 1992.

*Cemig blames the losses on* the government's policy of keeping electricity prices artificially low to try to control Brazil's chronic inflation.

It also says a change in accounting policy in 1990, adopted by most of the industry, led to an increase of about 60 per cent in depreciation costs.

However, a new electricity price structure introduced ahead of the real, Brazil's new currency due to enter circulation in July, will lead to a one-off 20 per cent increase in prices for the company, according to Mr Luiz Fernando Rolla, a Cemig finance official.

**Brazil has used Cemig, which serves an area larger than France, to gain access to the international capital markets. In January, the state sold $200m of eurobonds with equity warrants in the company and it is planning a private placement of non-voting American depositary receipts for at least $150m**

Mr Rolla predicts the price increase will help the company to make a small profit this year. He says investors have been attracted by its low debt, its reputation for being well managed and prospects for a long-term increase in demand in Minas Gerais state.

Another attraction has been the prospect of privatisation, leading to price increases over the longer term.

The government is said to be looking at the industry's priva*tisation but no clear decision is* expected until after presidential elections at the end of the year.

Cemig's total debt is only 9 per cent of shareholders' capital, partly because of under-investment, particularly since the early 1980s when many publicly-controlled companies were starved of funds.

The company has also avoided the highly expensive local debt market and sought funds from agencies such as the World Bank.

Productivity has grown in the past three years, helped by 1,000 job cuts, reducing the payroll to 17,000. Another 4,000 to 5,000 jobs could go by the year 2000, says company president Mr Carlos Aloy.

Cemig's ability to cut costs is limited, however, because it is obliged by the federal government to buy 17 per cent of the energy from the Itaipú hydro*electric plant on the Brazil-*Paraguay border.

This amounts to 28 per cent of Cemig's energy needs, but 34 per cent of its operating costs.

But a more important problem, according to analysts, is that about 70 per cent of Cemig's revenues comes from *industrial users, which tradi*tionally pay lower prices than residential users.

This means Cemig's prices are on average the lowest in Brazil, according to Mr Antonio Zagatto, planning manager at São Paulo's electricity company Cesp, where industrial customers make up about 50 per cent of revenues.

Many of Cemig's industrial consumers are in electricity-intensive sectors, such as aluminium production, which have won large discounts from the company.

There is also a question mark over Cemig's capital investment.

Mr Luiz Henrique Michalick, company spokesman, says Cemig should be investing about $450m a year, instead of the current $300m, to cover depreciation costs and prepare for increased demand.

He points to proposed generating partnerships with large consumers, such as the mining company Companhia Vale do Rio Doce (CVRD), as a way of increasing electricity supply in the long term using shared capital investment.

*Mr Aloy highlights the need* for "maximum partnerships with the private sector".

However, he adds that when a new plant in the western area of Nova Ponte comes into operation later this year, *Cemig will have sufficient* capacity to cope with current demand, even without energy from Itaipu.

# Probe into possible acquisition of Macy

R.H. Macy, the US stores group, has been informed that the Attorney General of New York State has started a formal investigation of the possible acquisition of Macy by Federated Departments Stores, AP-DJ reports from New York.

Macy has been in Chapter 11 bankruptcy court proceedings since January 1992.

A spokesman for Macy confirmed that the investigation by the office of Attorney General G. Oliver Koppell centred on whether a Macy-Federated merger had anti-trust ramifications.

Macy said it was asked by the Attorney General's office to provide detailed information relating to "a number of aspects of Macy's business and the competitive environment *in its markets as it relates to* Federated, as well as to other competitors".

Macy said it planned to co-operate with the Attorney General's request.

Federated has been pursuing Macy since January, when the Cincinnati-based retailer disclosed that it had bought a large amount of Macy debt.

# Dutch Alcoa chief sees squeeze on aluminium groups

Smaller west European aluminium companies will be increasingly squeezed by east European rivals and global operators in their own market, said Mr Berry Bemelmans, president of Alcoa Nederland, Reuters reports from Drunen, the Netherlands.

Mr Bemelmans said that companies needed to establish a significant presence in the key packaging, aerospace or transportation aluminium sectors in order to ensure their survival.

A further challenge would come from the east as Russian producers moved from exports of ingots and extrusions to products with greater added value.

Mr Bemelmans said Alcoa Nederland, through its ownership by Aluminum Company *of America, was the first west*ern company to establish a significant presence in the east European aluminium market.

# Shareholders in Mediobanca clear way for cash call

By Andrew Hill in Milan

Shareholders in Mediobanca, the powerful Italian merchant bank, yesterday cleared the way for a rights issue which will raise at least L1,500bn ($932m) to expand the bank's investment portfolio and broaden its ownership.

Bank directors refused to take questions from investors at yesterday's meeting on the continuing investigation by Ravenna magistrates into allegations that senior bank executives were involved in reporting false 1992 accounts for the troubled Ferruzzi-Montedison industrial group.

The allegations, which Mediobanca denies, have cast a shadow over preparations for the rights issue.

*Although a price for the new* shares is unlikely to be set until next week, Mediobanca says the first tranche of 100m shares will be sold for at least L15,000 each.

Warrants will give the right to buy up to 10m further shares for at least L15,500 each.

Yesterday Mediobanca shares, which had recovered in recent trading, slipped back 4 per cent to close at L15,229.

Mediobanca masterminded the restructuring of Ferruzzi-Montedison last year, after it came near to collapse.

However, the meeting was dominated by discussion of ordinary bank operations, despite attempts by some of the 111 shareholders present to raise the subject of the judicial inquiry.

The bank revealed, for example, that it had increased its stake in Paribas, the French bank, from 1.5 per cent to 2 per cent, at a cost of some L91bn.

Mr Vincenzo Maranghi, managing director, also said gross operating profit had slipped by some 6.5 per cent in the first 11 months of the current financial year, which ends on June 30. However, the after-tax result is likely to be bolstered by such *items as underwriting fees.*

In 1992-93, Mediobanca's net profits were L200.1bn, down on the previous year.

The rights issue is partly intended to dilute the 50 per cent holding of the bank's traditional long-term shareholders – headed by former state-owned banks and including a roll-call of Italy's biggest and oldest companies – to about 40.6 per cent.





Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price by Trading on 14.06.94: Pool purchase price £/MWh | Final Prices for Trading on 17.05.94: Pool purchase price £/MWh | Final Prices for Trading on 17.05.94: Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 10.60 | 11.03 | 11.03 |
| 0100 | 9.64 | 11.03 | 11.03 |
| 0130 | 9.64 | 11.03 | 11.03 |
| 0200 | 9.54 | 11.08 | 11.08 |
| 0230 | 9.64 | 11.08 | 11.08 |
| 0300 | 9.64 | 11.08 | 11.08 |
| 0330 | 9.64 | 11.03 | 11.03 |
| 0400 | 9.54 | 11.03 | 11.03 |
| 0430 | 9.64 | 11.03 | 11.03 |
| 0500 | 9.64 | 11.03 | 11.03 |
| 0530 | 9.63 | 10.65 | 10.65 |
| 0600 | 10.49 | 13.00 | 13.00 |
| 0630 | 10.50 | 10.75 | 10.75 |
| 0700 | 16.88 | 13.90 | 16.82 |
| 0730 | 22.73 | 22.38 | 25.30 |
| 0800 | 23.65 | 22.47 | 25.41 |
| 0830 | 24.63 | 22.91 | 25.87 |
| 0900 | 24.79 | 23.09 | 26.09 |
| 0930 | 35.53 | 23.18 | 26.20 |
| 1000 | 35.64 | 28.52 | 31.55 |
| 1030 | 26.10 | 28.53 | 31.57 |
| 1100 | 26.18 | 28.52 | 31.55 |
| 1130 | 32.78 | 28.59 | 31.64 |
| 1200 | 35.97 | 28.67 | 31.74 |
| 1230 | 35.86 | 28.59 | 31.64 |
| 1300 | 35.66 | 28.44 | 31.44 |
| 1330 | 25.79 | 24.82 | 27.78 |
| 1400 | 24.73 | 24.79 | 27.74 |
| 1430 | 24.01 | 22.94 | 25.89 |
| 1500 | 23.99 | 22.93 | 25.88 |
| 1530 | 24.01 | 22.93 | 25.88 |
| 1600 | 24.13 | 22.98 | 25.95 |
| 1630 | 28.44 | 24.95 | 27.94 |
| 1700 | 34.20 | 47.06 | 50.07 |
| 1730 | 34.07 | 46.99 | 49.99 |
| 1800 | 33.85 | 46.86 | 49.82 |
| 1830 | 23.45 | 22.80 | 25.73 |
| 1900 | 23.63 | 22.41 | 25.34 |
| 1930 | 22.60 | 22.41 | 25.34 |
| 2000 | 22.60 | 22.41 | 25.34 |
| 2030 | 22.60 | 22.41 | 25.34 |
| 2100 | 22.60 | 22.41 | 25.34 |
| 2130 | 22.60 | 35.57 | 38.48 |
| 2200 | 22.60 | 35.57 | 38.48 |
| 2230 | 22.60 | 35.57 | 38.48 |
| 2300 | 22.60 | 23.22 | 26.15 |
| 2330 | 18.06 | 16.47 | 18.40 |
| 2400 | 22.54 | 12.03 | 14.96 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-468789 between 6:30am and 6:15pm Monday to Friday.
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# Tajudin in fresh attempt to take over MAS

By Kieran Cooke in Kuala Lumpur

Mr Tajudin Ramli, a leading Malaysian entrepreneur, has announced a controversial proposal to take over Malaysian Airlines (MAS), one of Asia's biggest carriers.

The highly-leveraged deal would see Mr Tajudin take a controlling 32 per cent stake in MAS for M$1.79bn (US$716m).

The proposal is subject to approval by Malaysia's regulators.

Mr Tajudin has talked of a shake-up at troubled MAS, with airline analysts predicting that lossmaking domestic services would be sold off.

"In order for Malaysia Airlines to move forward, we would need to develop a new vision to support our long-term objectives and strategies, taking into account the company's strengths and weaknesses," said Mr Tajudin.

"It could even involve an entire re-positioning exercise for the national carrier," he added.

In spite of Mr Tajudin's confident talk, a number of questions surround the deal.

At the end of last year Bank Negara, Malaysia's central bank, announced that it would sell a 32 per cent stake in MAS to Malaysian Helicopter Services (MHS), a small listed company controlled by Mr Tajudin.

However, that deal foundered when the rally in the Kuala Lumpur stock market lost momentum earlier this year.

The original purchase, based on an MAS share price of M$8, was to have been funded through issuing 112m new MHS shares at the then market price of M$16 a share.

MAS shares have recently been trading at around M$5, while MHS has been hovering around M$8.

The new deal sees RZ Equities, an unlisted company owned by Mr Tajudin, paying Bank Negara the M$1.79bn in cash through a personal loan financed by Mr Tajudin.

An MHS statement said Mr Tajudin had given MHS the option to acquire 100 per cent of the equity in RZ.

No details have been given about how Mr Tajudin has raised such a large loan. Questions have also been raised as to why Mr Tajudin's purchase of the MAS stock is still based on a price of M$8 a share.

"Financially, the deal seems to make little sense," said one airline industry analyst. "But perhaps Tajudin feels carrying such a debt burden is worthwhile in order to make changes at MAS and secure long-term profits."

There are also thought to be political considerations in the deal.

Mr Tajudin is a close business associate of Mr Daim Zainnudin, Malaysia's former finance minister and a close confidant of Dr Mahathir Mohamad, the prime minister. Mr Daim is known as one of Malaysia's wealthiest businessmen.

There is speculation that Mr Tajudin has agreed to the deal in expectation of one of his companies being given a lucrative government contract.

Over the past three years MAS has been suffered some financial turbulence. Pre-tax profits for the year ending March 31 1994, at M$10.1m, were 90 per cent down on the previous year.

An ambitious expansion programme involving the purchase of 72 aircraft valued at M$10.6bn in the 1991-96 period has strained financial resources.

Mr Tajudin's flagship company is the listed Technology Resources (TRI), a fast-growing cellular communications concern.

Mr Tajudin also has a controlling stake in a private company which has launched two Russian communications satellites with the idea of leasing space to regional users.

# Long march to openness for Citic

## Chinese group gives only sketchy details of profits, says Tony Walker

The China International Trust and Investment Corporation (Citic) this month reported a massive increase in profits, in percentage terms, for 1993, to Yn3.35bn (U$390m), but its annual report provided only sketchy details of how it achieved this seemingly impressive performance leap.

While Citic, which is involved in an extensive range of businesses from real estate to manufacturing, is becoming more international, and more open in divulging information about its activities, it still has some way to go to match world standards.

Not only is Citic, which is owned 100 per cent by the Chinese government, the parent of increasingly active businesses abroad, including the Hong Kong-listed Citic Pacific; it is also a substantial borrower internationally, having raised $2bn in 18 bond issues by the end of 1993. This included $250m in 10-year bonds issued last year in the US market – China's first foray into the US capital markets since 1949.

Citic paper has received a generally good reception in international markets because bankers assume the conglomerate, which is one of the standard-bearers of China's socialist-market reforms, carries the full backing of the Chinese government.

In Beijing, a European bank spokesman said Citic had "developed a very good image," and was now engaged in "an incredible range of activities."

But when it came to assessing the quality of its assets it was difficult to make judgments. "When examining the balance sheet you don't really know what you have in front of you," he said.

Citic lists total assets of Yn82.86bn, but provides little detail. The company is heavily involved in real estate, for example, but beyond a sketchy reference in its annual report to the "strong momentum" of Citic's real estate business, information is sparse.

Bankers cite as an example of the difficulties assessing details of Citic's activities the case several years ago of losses incurred in the Bank of Credit and Commerce International fiasco. Citic may have lost as much as $100m – Citic officials say it was much less – but no reference ever appeared to that episode in its balance sheet.

Similarly, only glancing mention is made in Citic's annual report of a manufacturing venture in Shaanxi province with some 20,000 employees which is proving difficult to rehabilitate and is therefore a drain on resources.

Citic's charter requires it to play a role in transforming state-owned enterprises. The Shaanxi project, involving conversion of a defence factory to civilian use, was undertaken for political rather than commercial reasons, as Citic officials ruefully admit.

In the past year, when reported profits were 882 per cent higher, Citic has also taken over Luoyang Mining Machinery Plant, which has 20,000 employees, with the aim of revitalising another flagging state-owned enterprise. Citic officials say that the Luoyang enterprise, re-named the Citic Heavy Machinery Company, will be, for the time being, the last of such burdens assumed from the state.

But this does not mean that Citic – including both its mainland activities, which account for about two-thirds of the conglomerate's business, and its growing investments abroad – is about to enter a consolidation phase.

As Mr Wei Mingyi, Citic's chairman, told the Financial Times last year: "If a company constrains itself by consolidating at a certain level, then I think that company wouldn't have a future. Business is always aggressive: maybe sometimes you win, sometimes you fail."

Citic Pacifc, the Hong Kong listed arm of Citic Hong Kong (Holdings), is an example of this aggressive strategy, with a fast-growing portfolio of investments in telecommunications, aviation, property and finance in Hong Kong.

The company is also becoming active on the mainland with recent acquisitions in the Wuxi area, west of Shanghai. These have included a steel plant, a telecommunications cable factory and a precision metal piping plant – investments totalling about $100m.

Citic Australia is similarly engaged in rapid expansion. Building on its 1986 investment in an aluminium smelter west of Melbourne, it recently acquired a meat processing company in Australia; purchased 10 per cent of Yaohan International, a Japanese retailer; established a trading company in Singapore; and late last year listed an investment company, C.H. China Investment, in Australia.

At home, Citic's main priority, according Mr Yao Jinrong, a vice-president, is the development of Daxie Island off the coast of Zhejiang province, south of Shanghai. Citic plans to spend Yn4bn with additional investment of Yn40bn in developing a deep-water port and economic development zone.

One of Daxie's main functions would be to provide an outlet for China's land-locked south-western provinces, including Guizhou and Yunnan.

Citic is also involved in a consultancy business, power development, telecommunications (including the manufacture of pagers), cable television, finance and trading. All this is placing substantial demands on its management capabilities.

Vice-president Mr Yao is not exaggerating when he describes Citic as a "very important financial institution". With its high level connections – its founder, Mr Rong Yiren, is now China's vice-president – the company is keenly sought as a mainland partner by foreign investors. "They are still a name-card which opens a lot of doors in China," said a western businessman.

As Citic's business expands, however, and its demand for capital continues to grow, bankers seem certain to demand greater accountability, but as the European banker said: "They will only be as good as the country itself."

# Saudi bank plans to double its capital

By Mark Nicholson in Cairo

Saudi Investment Bank, the kingdom's smallest by capitalisation, plans to double its capital to SR180m ($48.0m) through a one-for-one offer of 900,000 shares to shareholders. The share transfer will be paid for by a SR90m transfer from reserves.

The transfer will keep SIB's shareholding structure. The bank is more than 40 per cent owned by Saudi private shareholders, with the remainder being held by local and international banks, including Chase Manhattan (which has 15 per cent), Industrial Bank of Japan and J. Henry Schroder Wagg.

The bank said the planned capital increase, which is to be put to a shareholders' meeting in Riyadh on July 11, would "give some psychological feeling to our customers and correspondents" and "bring our capital closer to that of our peers", but not alter the bank's strategy.

"We are going to continue on our strategy to be a quality corporate bank for the kingdom, catering for sophisticated business clients," it added.

SIB, which has only 10 branches in the kingdom, has always seen itself as a "boutique" corporate lender, with a strong emphasis also on private banking as a leading broker in Saudi Arabia's stock market. Banks monopolise direct brokerage in the kingdom's $50bn-capitalised stock market, which is closed to foreign investors.

SIB's recapitalisation will not affect its position as one of the kingdom's smallest banks. It is among the last of the kingdom's 11 listed commercial banks to recapitalise over the past few years, during which most banks have taken advantage of the post Gulf war stock market boom to issue new stock.

# Thai oil refiner seeks stock exchange listing

Thailand's largest refiner, Thai Oil, plans to seek a listing on the stock exchange of Thailand early next year. It wants to float 25 per cent of its equity capital, write William Barnes and Reuter in Bangkok.

The company, which is partly state-owned, will soon become a public limited company, after a six-year wait for government approval. Its new status will be a first step towards a stock exchange listing. If the 74m shares were sold at the expected price of Bt40, the float would raise some Bt3bn ($119m), which would be used to reduce debt and expand refinery operations.

Thai Oil had net profits of Bt361m in the year ended September 30 1993. Assets at May 31 this year were Bt47.7bn, while liabilities were Bt38bn.

The National Energy Policy Committee agreed in May that the state-owned Petroleum Authority of Thailand could retain its 49 per cent stake in Thai Oil if it persuaded its partners to reduce their holdings; without their co-operation, the state group would see its share diluted to 37 per cent.

## INTERNATIONAL COMPANIES AND FINANCE

# Klöckner to buy 'just over 50%' of group

By Christopher Parkes in Frankfurt

Klöckner & Co, the German trading company, plans to buy "just over 50 per cent" of Computer 2000, a fast-growing German software and hardware distributor.

The company it had not bought any Computer 2000 shares in the open market and had no plans to do so, according to a statement yesterday.

The statement followed an announcement of the barest details of the plan late on Friday after the Computer 2000 share price had risen sharply during the day.

Klöckner said the controlling holding would be purchased from the Colonia insurance group and a private shareholder, Mr Arend Oetker.

The parties to the deal had agreed not to release any financial details, although Computer 2000 is worth an estimated DM400m ($240m) at current share prices.

Klöckner, a trading subsidiary of the Viag conglomerate, said the purchase marked its entry into a new business sector, although its new subsidiary, one of the biggest distributors in the European computer industry, would continue to operate as a free-standing enterprise.

This suggests that Computer 2000 is likely to continue the aggressive expansion programme which has characterised its progress since it was founded in 1983.

Computer 2000's long-declared aim has been to generate sales of DM10bn by the year 2000. Turnover grew 54 per cent last year to DM2.8bn, and rose 40 per cent to DM1.94bn in the first six months of the current year.

The deal is expected to be rubber-stamped at a meeting of the supervisory board next month and although it has yet to be approved by the federal cartel office, no objections are expected.

# Managing director of Norwegian bank resigns

By Karen Fossli in Oslo

Mr Leif Klevan, managing director of state-owned Fokus Bank, Norway's third-largest commercial bank, yesterday resigned following revelations of alleged irregularities connected to the disposal of a property shareholding.

Mr Klevan has led Fokus through a successful restructuring, in which the bank has been cut back to a regional operation serving mid-Norway from a loss-making operation with branches throughout the country.

His resignation follows reports in which it emerged that Fokus Eiendom, the bank's property unit which is chaired by Mr Klevan, allegedly sold a 37 per cent stake in a shopping centre in southern Norway, at cost, to close acquaintances of the bank.

The report, published last week in Norway, claimed that the buyers of the Farmandstredet shopping centre stood to make a gain of up to NKr20m ($2.8m) on a re-sale of the property.

The board of Fokus held an emergency meeting at the weekend and yesterday announced Mr Klevan's resignation.

While the board did not specifically confirm that Mr Klevan had full knowledge of the affair, it said greater caution should have been exercised over the unit's "informal talks" with the buyers of the Farmandstredet shareholding, and that Mr Klevan should have been sufficiently informed about the disposal.

The board has appointed Mr Bjarne Borgersen, an executive with Fokus Bank, as Mr Klevan's interim replacement until a permanent appointment is made.

● Christiania Bank, Norway's second-largest commercial bank, has entered negotiations to acquire Vestenfjeldeske Bykreditt, a mortgage institution with assets of NKr7.4bn.

The parties hope to conclude the discussions as soon as possible, Christiania said. With the mortgage company's preference shares trading at NKr113 each, it has a market value of around NKr320m.

Christiania said negotiations with the Vestenfjeldeske's board were continuing but that it had not yet made an offer for the company.

## NEWS DIGEST

### Foschini turns in 26% income improvement

Foschini, the South African clothing and jewellery retail group, continues to make progress, increasing attributable income 26 per cent to R129.9m ($35.8m) for the year ended March despite a difficult trading environment, writes Mark Suzman in Johannesburg.

After tax, profits rose by 39 per cent to R143.7m, but were diluted by an extraordinary item of R13.8m, largely related to goodwill and trademark costs following an acquisition. Turnover increased 24 per cent to R1.44bn.

Mr Clive Hirschsohn, managing director, said: "We used aggressive marketing to maximise trading opportunities and were well positioned for the first tentative movements of the economic upswing."

He said turnover had been boosted by an exceptional second half. The company controls Oceana Investments, which has a 36 per cent stake in Etam, the UK retailer.

### Ruling on Indian finance companies

The Reserve Bank of India has made it compulsory for all finance companies with net owned funds of more than Rs20m ($637,602) to get a credit rating by next March, as part of the reform of the financial sector, Reuter reports from Bombay.

Companies can get a rating from any one of three credit agencies.

They will need a minimum rating of FA- from Credit Rating and Information Services of India, MA- from Investment Information and Credit Rating Agency of India or BBB (FD) from Credit Analysis & Research.

### Tata Metals slides

Indian Tata Metals, which is part of the Tata Iron and Steel group, reported a steep decline in net profits for the year ended March, Reuter reports from Bombay.

Net earnings fell to Rs46.4m ($1.5m) from Rs78.2m in the previous year.

Turnover was slightly lower at Rs660m, against Rs684m.

## Malaysian conglomerate in PNG deal

By Kieran Cooke in Kuala Lumpur

MBf Holdings, the diversified Malaysian conglomerate which is one of the country's biggest stock market listed companies, has purchased the Papua New Guinea based W.R. Carpenter group for M$151m ($58m) in cash.

W.R. Carpenter and its associate companies are a long established group whose activities include motor vehicle distribution, shipping, transport and financial services in the South Pacific region.

MBf is making the purchase through its wholly-owned Hong Kong subsidiary, MBf Asia Capital Corporation Holdings (MACCH).

MBf describes itself as Malaysia's biggest finance company.

It is widely expected that MBf will seek an international listing for its MACCH subsidiary later this year, possibly in New York.

# Opting for disarray over confusion

## Argentina's pension reforms are proving difficult, writes John Barham

Argentina's private pension system is off to a slow start – and it has not been helped by bureaucratic disarray and stronger-than-expected resistance to change by pensions contributors.

The main difficulty has been government regulations limiting the marketing campaign of the new pension fund management companies to barely two months, from May 2 until the end of June.

The result has been a blizzard of confusing and sometimes misleading sales advice by the 21 fund managers competing for a slice of Argentina's monthly pension cashflow, estimated at between $200m and $300m.

Some 5m pensions contributors must eventually choose between remaining in the state system or joining a private scheme. So far, pension fund managers report that less than 150,000 have moved into the private sector.

Private pension funds are to be financed by a compulsory 11 per cent levy on wages. Alternatively, people can decide to remain in the state system. Although ridden by deficits, inefficiency and allegations of corruption, the state scheme does offer a guarantee against the bankruptcy and fraud that have beset Argentina's financial system for decades.

Furthermore, contributors who have chosen the private schemes cannot return to the state system. This has understandably encouraged potential savers to wait and see just how private schemes progress before burning their boats and leaving the state system.

Signs of disarray in the pension fund regulatory agency has further discouraged people from moving into the private sector. Three senior officials of the Pension Fund Superintendency have resigned over what they claim was inadequate policing of private pension marketing campaigns.

Mr Oscar Rabinovich, who resigned as assistant superintendent of the PFS, says: "If we are controlling publicity this badly, I do not want to imagine what is going to happen [later]. I am basically in favour of the new retirement system, but it can only work if the state exercises strong controls."

Carlos Menem: recently added to the confusion

For their part, private pension fund managers complain that the PFS is excessively rigid and bureaucratic.

President Carlos Menem recently added to the confusion when he revoked a clause that ordered state-owned Banco de la Nacion Argentina (BNA), Argentina's biggest bank, to offer dollar-linked pensions in competition with the private funds.

The clause was the price of the congressional Peronist party's support for the controversial legislation. However, fund managers say BNA's dollar-indexed pensions would distort the financial system. Congress is now working on a new system of state guarantees to be provided by BNA.

Still, some observers hope the planned new pension system can provide the catalyst for reform within Argentina's rudimentary capital markets.

Mr Ted Truscott, principal of US fund managers Scudder, Stevens & Clark, says "the long-range impact of pension funds cannot be underestimated". He expects private funds to boost Argentina's low savings ratio, reduce its reliance on imported capital, and provide borrowers with long term finance.

*Notice Concerning Merger*

**OSAKA CEMENT CO., LTD.**

Bearer Warrants to subscribe for shares of common stock of Osaka Cement Co., Ltd. (the "Warrants") issued in conjunction with its

U.S. $100,000,000

4½ per cent. Guaranteed Bonds 1995 (the "Bonds")

Pursuant to Clauses 4(A) and (B) of the Instrument dated 1st August, 1991 relating to the Warrants and the rules of the Luxembourg Stock Exchange, notice is hereby given that Osaka Cement Co., Ltd. ("Osaka Cement") entered into a merger agreement with Sumitomo Cement Co., Ltd. ("Sumitomo Cement") on 31st May, 1994 (Japan time, the same is hereinafter applicable) under which Osaka Cement shall merge with Sumitomo Cement (the continuing corporation being Sumitomo Cement).

The merger agreement will take effect subject to approval by the general meetings of shareholders of both companies to be held on 29th June, 1994.

Pursuant to the merger agreement, all rights, obligations, assets and business of Osaka Cement (including all the obligations of Osaka Cement under the Warrants and the Bonds) will be transferred to Sumitomo Cement on 1st October, 1994, subject to the commercial registration of the merger with the appropriate Legal Affairs Bureau under the Commercial Code of Japan. Such registration is expected to be made on 21st December, 1994, whereupon Osaka Cement will be dissolved.

The holders of shares of common stock of Osaka Cement registered in the register of shareholders or beneficial shareholders of Osaka Cement at the close of business on 30th September, 1994 will be paid by Sumitomo Cement immediately after the general meeting of shareholders of Sumitomo Cement (expected to be held on 20th December, 1994) Yen 1.50 per share in cash (subject to change upon consultation between both companies reflecting the financial condition of Osaka Cement on 1st October, 1994).

The holders of shares of common stock of Osaka Cement registered in the register of shareholders or beneficial shareholders of Osaka Cement at 1st October, 1994 will be entitled to exchange each such share held by them for 0.75 shares of common stock of Sumitomo Cement and the holders of the Warrants will be entitled from 1st October, 1994 to subscribe, upon exercise, for shares of common stock of Sumitomo Cement at the adjusted subscription price mentioned below. However, such shares of Sumitomo Cement issuable upon the above exchange or exercise will only be issued upon the commercial registration mentioned above. Pending such commercial registration, the subscription rights to be granted to the holders of the Warrants upon exercise thereof will be listed on the Japanese stock exchanges on which shares of common stock of Sumitomo Cement are listed and may be traded on these stock exchanges similarly to the outstanding shares of common stock of Sumitomo Cement.

As a result of the merger, the subscription price now in effect for the Warrants will be adjusted to the following subscription price per Sumitomo Cement share, which will become effective as from 1st October, 1994, subject to the commercial registration mentioned above:

| | |
|---|---|
| Current Subscription Price: | Yen 506 |
| Adjusted Subscription Price: | Yen 674.70 |

Neither the Bonds nor the Warrants of the above issues will be stamped or exchanged. Instead they will remain listed on the Luxembourg Stock Exchange under the name of Osaka Cement followed by the new name of the continuing corporation, being Sumitomo Osaka Cement Co., Ltd.

Osaka Cement Co., Ltd.
By: The Sanwa Bank, Limited
As Principal Paying Agent

14th June, 1994

**NOTICE CONCERNING MERGER**

**Sumitomo Cement Co., Ltd.**
(the "Company")

**Bearer Warrants to subscribe up to ¥22,327,500,000 for shares of common stock of the Company**
*and*
**Bearer Warrants to subscribe up to ¥19,530,000,000 for shares of common stock of the Company**
and
**Bearer Warrants to subscribe up to ¥22,020,000,000 for shares of common stock of the Company**

Pursuant to Clause 4 (A) of the Instruments dated 30th August, 1990, 5th March, 1992 and 22nd July, 1993 in respect of the respective Warrants listed hereinabove and the rules of the Luxembourg Stock Exchange, notice is hereby given to the holders thereof as follows: (a) the Company entered into a merger agreement (the "Merger Agreement") with Osaka Cement Co., Ltd. ("Osaka Cement") on 31st May, 1994 (Japan time; the same is hereinafter applicable); (b) the Merger Agreement will be submitted to the Ordinary General Meeting of shareholders of the Company for approval on 29th June, 1994; (c) subject to the approvals of the Merger Agreement by the shareholders of the Company and of Osaka Cement, the Company will merge with Osaka Cement (the continuing corporation being the Company) upon the commercial registration of the merger being made with the appropriate Legal Affairs Bureau under the Commercial Code of Japan (which registration is expected to be made on 21st December, 1994); (d) no cash or other property will be payable or deliverable to shareholders of the Company as a result of the merger and (e) none of the Subscription Prices applicable to the respective Warrants will be adjusted as a result of the merger.

Sumitomo Cement Co., Ltd.
By: The Sumitomo Bank, Limited
as Principal Paying Agent

Dated: 14th June, 1994

## INTERNATIONAL CAPITAL MARKETS

# Poll results help drive prices lower across Europe

By Conner Middelmann in London and Frank McGurty in New York

European government bonds took another tumble, pressured by a variety of political and economic factors. The sell-off was exacerbated by thin cash market conditions, with most of the action concentrated in the futures markets. UK bonds suffered particularly heavy losses.

"Investors are still sitting on the sidelines, while the speculative community is dominating," said Mr Kit Juckes, international economist at S.G. Warburg Securities.

Uncertainty ahead of today's US May consumer price and retail sales data also kept participants nervous.

Following Friday's short squeeze, many markets started the day on a slightly firmer tone. However, that quickly gave way to renewed selling when the results of the weekend's European parliament elections hit many markets.

One of the worst affected was Spain, where the governing Socialist party's weak showing in the European and Andalusian elections prompted fears of an early general election. Prime minister Felipe Gonzáles' Catalan coalition partner said it would continue supporting the minority Socialist government, and rejected the need for a parliamentary vote of confidence.

### GOVERNMENT BONDS

However, one dealer warned that Mr Gonzáles "will be at the mercy of the Catalans, which doesn't make for a stable political outlook".

The September contract of the Spanish government bond future fell 1.62 points to 92.50.

■ In France, where the anti-European candidates made a strong showing in the Euro-elections, prices also fell sharply on fears that confidence in the government's policies aimed at European integration would be undermined. The September contract of the notional bond future on Matif fell by 1.62 points to 115.54.

The spread between the higher-yielding French 10-year benchmark bond against its German counterpart widened to 44 basis points, from 39 basis points on Friday.

■ German bonds were steadier, helped by the fact that Chancellor Helmut Kohl was one of the few European leaders whose government was bolstered by the elections. Ten-year cash bonds fell less than a point, led largely by the bund future. The September contract on Liffe broke several key support levels before closing around 92.25, down 1.18 points.

■ UK gilts fell about 1¼ point, dogged by the ruling Conservative party's poor showing in the elections. Despite supportive producer price data, dealers reported continued inflation worries, and are nervously eyeing Wednesday's raft of data, which includes May retail prices, April average earnings and May employment.

Moreover, the Bank of England on Friday is expected to announce its next gilt auction. In the absence of significant investor demand, "the spectre of fresh supply is unnerving the market", said a dealer.

The September long gilt futures contract fell by 1¼ points to 100⅜.

■ Although prime minister Silvio Berlusconi's party put on a strong performance in the European elections, Italian 10-year bonds dropped more than two points on fears that Friday's constitutional court ruling ordering the government to pay trillions of lire in back pensions would worsen the deficit position.

The September bond future on Liffe fell by 2.08 points to 106.15.

■ US Treasury bonds retreated in the morning amid concern that today's economic data would reveal an upturn in consumer price inflation.

By midday, the benchmark 30-year government bond was ⅝ lower at 86⅝, with the yield rising to 7.338 per cent. At the short end, the two-year note was down ⅛ at 100⅛, to yield 5.873 per cent.

The trading week opened quietly, with many investors reluctant to commit fresh funds to the market until after the Commerce Department releases its May consumer price index this morning.

Until late last week, analysts had not viewed the report as a potential obstacle. However, a surprising gain in core producer prices, revealed by the government on Friday, has raised some trepidation among traders that inflation on a consumer level may prove to have been stronger than expected.

Analysts, however, are generally sticking to their forecasts of a 0.2 per cent gain in the CPI, and a 0.3 per cent gain in core prices.

# Mixed reception for Swiss move on bonds in yen

By Tracy Corrigan

The Swiss National Bank's announcement that it will allow bond issues denominated in yen, or linked to yen, to be launched in the Swiss market was given a mixed reception from bankers yesterday.

The move follows lobbying by the Swiss subsidiaries of several Japanese securities firms, according to Swiss bankers. Some Japanese companies are keen to issue equity-linked debt in yen rather than in Swiss francs, to avoid foreign exchange risk.

By issuing such unlisted bonds in the Swiss market, it is possible to avoid the stricter rules on documentation and on secondary market trading, which are enforced in the eurobond market.

Such issues – known as Alpine bonds – are already permitted in US and Canadian dollars, and Ecus, but the market has been slow to develop.

"The move is driven by borrowers rather than investors," said one Swiss banker. "The question is whether any retail investors will be interested."

Another banker in Zurich expressed concern that the move could encourage the Swiss market to be seen as a route for selling second-rate bonds. "We don't want to regain the reputation we had in the late 1980s as a junk bond market with triple-A pricing," he said.

A SFr100m convertible issue for Hosiden Corporation, which has already tapped the Swiss market, could be the first of the new genre. The deal would be redeemable in yen, if the bonds were not converted by maturity.

# GECC's return to D-Mark sector brightens dull day

By Antonia Sharpe

Renewed downward pressure on European government bond markets restricted the volume of new issues in the eurobond market yesterday. Among the day's meagre offerings was GECC's first appearance in the D-Mark sector since December 1992. It raised DM250m through an issue of five-year eurobonds.

Lead manager SBC Frankfurt said the bonds were mainly targeted at cash-rich investors in Switzerland and the Benelux region, since the higher yields on offer in the German domestic bond market limited their appeal to investors there.

GECC is believed to have swapped the proceeds of the offering into fixed-rate dollars. The pricing of the bonds, to yield 20 basis points over the Treuhand's 5¾ per cent notes due 1999, was thought to be fair. However, syndicate managers said the fall in German government bonds caused some problems during the launch. In the afternoon, the bonds were trading around 99.70, down from a re-offer price of 99.77, while the spread widened slightly to just over 21 basis points.

GECC's deal follows a similar offering from Rabobank last Friday, via CS First Boston, which was also targeted at Swiss retail investors, who face heavy D-Mark redemptions in the next few months. Rabobank's five-year bonds were launched at a yield spread of 17 basis points, but were trading at a spread of 21 basis points yesterday, partly reflecting the market's weakness.

### INTERNATIONAL BONDS

Argentina is due to launch its widely-expected D-Mark offering today or tomorrow, via Deutsche Bank. The three-year issue is likely to raise around DM500m. Syndicate managers involved in the offering reported good demand for the deal which, they said, was unlikely to be adversely affected by any further futures-driven weakness in the bund market.

The stream of euroguilder issues continued yesterday with the launch of a Fl 250m offering of nine-year bonds from NIO, the Dutch government-guaranteed development aid agency. Lead manager Nibstrating Financial Markets said the unusual maturity partly reflected the overhang of 10-year paper in the market.

The bonds, which were priced to yield 20 basis points over the 6¾ per cent Dutch government bond due 2003, were placed mainly with Dutch investors. When the bonds were freed to trade, the spread widened out slightly to 22 basis points.

Vaesteraas, Sweden's sixth-largest city and the home of ABB Asea Brown Boveri, the Swiss-Swedish electrical engineering group, raised $50m through an offering of five-year floating rate notes. The discounted margin on the notes was 26 basis points over Libor at the launch, which narrowed to 25 basis points when the notes were freed to trade.

Lead manager Goldman Sachs said the notes were sold mainly to investors in Belgium, though there was also some interest from Sweden and the UK. It is believed the proceeds of the offering were swapped into floating-rate Swedish kronor.

● Standard & Poor's has revised the outlook on its A-plus implied long-term rating on the Republic of Korea, to negative from positive.

The outlook revision has been prompted by the heightening of tensions on the Korean peninsula as North Korea refuses to comply with demands for inspection of its nuclear facilities.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| City of Vaesteraas‡ | 50 | (a) | 99.96R | Jul.1996 | undisci. | - | Goldman Sachs Intl. |
| **D-MARKS** | | | | | | | |
| General Electric Cap.Corp.(b) | 250 | 6.375 | 99.77R | Jul.1999 | 0.25R | +20 (5¾%-99) | SBC Frankfurt |
| **GUILDERS** | | | | | | | |
| NIO | 250 | 7.25 | 100.125R | Jul.2003 | 0.325 | +20 (6¾%-03) | Nibstrating Financial Mkts. |
| **ITALIAN LIRE** | | | | | | | |
| Crediop O'seas Bank(Cay.)(c) | 200bn | 10.25 | 100.70 | Jul.2001 | 1.875 | - | San Paolo, Turin |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +¼%. b) Long 1st coupon. c) Issuer may convert on 5/7/98 into FRN paying 6-mth Libor +½%.

# LSE advises on stock borrowing practice

By Norma Cohen, Investments Correspondent

The London Stock Exchange has published a guide on stock borrowing and lending aimed at informing lenders about recommended best practice.

The booklet, developed in conjunction with the Bank of England's stock borrowing and lending committee, details the exchange's role in regulating activity. Market participants generally expect a surge in demand for borrowed equities once the stock exchange abandons its traditional two- and three-week account settlement period on July 18, and moves to a system of "rolling settlement".

Some market-makers fear obtaining securities to cover "short" positions in their proprietary trading books will be more difficult, forcing changes in the way they trade for their own account. There is also concern from regulators that institutions such as pension schemes which agree to engage in securities lending may fail to fully understand the risks.

*Stock Borrowing and Lending. The London Stock Exchange, Market Supervision Division, 071-797-3653. No Charge.*

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 9.000 | 09/04 | 100.9700 | – | 8.85 | 8.56 | 8.62 |
| Belgium | | 7.250 | 04/04 | 95.6500 | −1.200 | 7.90 | 7.84 | 7.41 |
| Canada * | | 6.500 | 06/04 | 85.1000 | −0.700 | 8.78 | 8.56 | 8.38 |
| Denmark | | 7.000 | 12/04 | 92.6500 | −1.470 | 8.06 | 8.03 | 7.26 |
| France | BTAN | 8.000 | 05/98 | 104.1250 | −0.500 | 6.77 | 6.67 | 6.12 |
| | OAT | 5.500 | 04/04 | 86.5500 | −1.860 | 7.47 | 7.36 | 6.86 |
| Germany | | 6.750 | 05/04 | 98.2700 | −0.670 | 7.00 | 6.99 | 6.58 |
| Italy | | 8.500 | 01/04 | 90.7000 | −2.090 | 10.04† | 9.92 | 9.07 |
| Japan | No 119 | 4.800 | 06/99 | 105.4620 | −0.370 | 3.52 | 3.45 | 3.16 |
| | No 164 | 4.100 | 12/03 | 99.1180 | −0.680 | 4.23 | 4.19 | 3.95 |
| Netherlands | | 5.750 | 01/04 | 90.6800 | −1.280 | 7.12 | 7.04 | 6.58 |
| Spain | | 10.500 | 10/03 | 102.3500 | −1.200 | 10.08 | 9.97 | 9.51 |
| UK Gilts | | 8.000 | 06/99 | 90-24 | −25/32 | 8.24 | 7.99 | 7.62 |
| | | 6.750 | 11/04 | 87-16 | −44/32 | 8.58 | 8.34 | 8.03 |
| | | 9.000 | 10/08 | 103-00 | −51/32 | 8.63 | 8.40 | 8.15 |
| US Treasury * | | 7.250 | 05/04 | 101-08 | −17/32 | 7.07 | 6.90 | 7.24 |
| | | 6.250 | 08/23 | 86-27 | −19/32 | 7.35 | 7.21 | 7.44 |
| ECU (French Govt) | | 6.000 | 04/04 | 87.2100 | −1.240 | 7.91 | 7.80 | 7.24 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

| | | | | | |
|---|---|---|---|---|---|
| | | One month | 3.89 | Two year | 5.82 |
| Prime rate | 7¼ | Two month | 4.16 | Three year | 6.15 |
| Broker loan rate | 5½ | Three month | 4.24 | Five year | 6.57 |
| Fed.funds | 4¼ | Six month | 4.73 | 10-year | 7.01 |
| Fed.funds at intervention | - | One year | 5.22 | 30-year | 7.36 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 118.14 | 117.46 | -0.70 | 118.20 | 117.46 | 29,970 | 20,408 |
| Sep | 117.14 | 115.54 | -1.62 | 117.20 | 115.54 | 259,663 | 110,497 |
| Dec | 116.30 | 114.64 | -1.62 | 116.30 | 114.80 | 812 | 10,009 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Jul | Calls Sep | Calls Dec | Puts Jul | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|
| 115 | 1.35 | 2.19 | - | 0.76 | 1.59 | 2.45 |
| 116 | 0.81 | 1.64 | 1.74 | 1.20 | 2.00 | - |
| 117 | 0.46 | 1.18 | - | 1.84 | 2.56 | - |
| 118 | 0.22 | 0.80 | - | 2.61 | - | - |
| 119 | 0.10 | 0.51 | - | - | - | - |

Est. vol. total, Calls 30,830 Puts 40,007. Previous day's open int., Calls 288,586 Puts 256,683.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 93.45 | 92.25 | -1.18 | 93.49 | 92.16 | 150266 | 131596 |
| Dec | | 91.78 | -1.20 | | | 0 | 734 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jul | Calls Aug | Calls Sep | Calls Dec | Puts Jul | Puts Aug | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 9200 | 0.72 | 1.22 | 1.50 | 1.74 | 0.47 | 0.97 | 1.25 | 1.98 |
| 9250 | 0.48 | 0.94 | 1.23 | 1.62 | 0.71 | 1.19 | 1.48 | 2.24 |
| 9300 | 0.28 | 0.71 | 1.00 | 1.22 | 1.03 | 1.46 | 1.78 | 2.44 |

Est. vol. total, Calls 10130 Puts 15440. Previous day's open int., Calls 178199 Puts 175474

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | | 97.80 | -0.73 | | | 0 | 76 |

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 108.20 | 106.15 | -2.08 | 108.20 | 106.03 | 53013 | 60044 |
| Dec | | 105.10 | -2.08 | | | 0 | 100 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Sep | Calls Dec | Puts Sep | Puts Dec |
|---|---|---|---|---|
| 10600 | 2.10 | 2.56 | 1.95 | 3.46 |
| 10650 | 1.85 | 2.35 | 2.20 | 3.75 |
| 10700 | 1.62 | 2.15 | 2.47 | 4.05 |

Est. vol. total, Calls 1308 Puts 649. Previous day's open int., Calls 19807 Puts 15112

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.55 | 93.47 | -1.69 | 94.55 | 93.30 | 60,583 | 65,941 |
| Sep | 93.75 | 92.52 | -1.62 | 93.75 | 92.50 | 65,106 | 79,844 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 102-20 | 101-15 | -1-12 | 102-20 | 101-06 | 774 | 13296 |
| Sep | 101-11 | 100-06 | -1-13 | 101-15 | 99-28 | 68671 | 114335 |
| Dec | | 99-06 | -1-13 | | | 0 | 67 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Sep | Calls Dec | Puts Sep | Puts Dec |
|---|---|---|---|---|
| 100 | 2-26 | 2-59 | 2-16 | 3-47 |
| 101 | 1-61 | 2-32 | 2-49 | 4-20 |
| 102 | 1-34 | 2-06 | 3-22 | 4-60 |

Est. vol. total, Calls 1883 Puts 1595. Previous day's open int., Calls 47711 Puts 30257

**Ecu**

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 85.48 | 85.22 | -0.10 | 85.48 | 85.10 | 375 | 3,063 |
| Sep | 84.90 | 83.56 | -1.12 | 84.90 | 83.58 | 1,923 | 5,805 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 105-05 | 105-03 | -0-06 | 105-10 | 104-30 | 20,983 | 78,899 |
| Sep | 104-09 | 104-04 | -0-08 | 104-13 | 103-31 | 367,709 | 295,297 |
| Dec | 103-21 | 103-16 | -0-07 | 103-23 | 103-11 | 569 | 36,322 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 109.90 | | | 109.98 | 109.75 | 1976 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Mon Jun 13 | Day's change % | Fri Jun 10 | Accrued interest | xd adj. ytd | | Low coupon yield Jun 13 | Jun 10 | Yr. ago | Medium coupon yield Jun 13 | Jun 10 | Yr. ago | High coupon yield Jun 13 | Jun 10 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (24) | 121.65 | -0.36 | 122.47 | 2.07 | 4.90 | 5 yrs | 8.26 | 8.09 | 7.10 | 8.49 | 8.30 | 7.32 | 8.69 | 8.42 | 7.62 |
| 2 5-15 years (22) | 139.33 | -1.26 | 141.10 | 1.94 | 6.13 | 15 yrs | 8.54 | 8.33 | 7.94 | 8.66 | 8.47 | 8.32 | 8.98 | 8.77 | 8.57 |
| 3 Over 15 years (9) | 156.61 | -1.71 | 158.33 | 2.49 | 5.25 | 20 yrs | 8.49 | 8.30 | 8.15 | 8.68 | 8.47 | 8.43 | 8.81 | 8.61 | 8.62 |
| 4 Irredeemables (6) | 175.32 | -2.09 | 179.06 | 1.50 | 6.36 | Irred.† | 8.61 | 8.42 | 8.51 | | | | | | |
| 5 All stocks (61) | 137.34 | -1.05 | 138.94 | 2.09 | 5.60 | | | | | | | | | | |

| Index-linked | Mon Jun 13 | Day's change % | Fri Jun 10 | Accrued interest | xd adj. ytd | | Inflation 5% Jun 13 | Jun 10 | Yr. ago | Inflation 10% Jun 13 | Jun 10 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 185.84 | -0.10 | 186.02 | 1.00 | 2.53 | Up to 5 yrs | 3.78 | 3.71 | 2.97 | 2.81 | 2.78 | 2.27 |
| 7 Over 5 years (11) | 173.40 | -0.65 | 174.74 | 1.00 | 2.12 | Over 5 yrs | 3.82 | 3.77 | 3.56 | 3.64 | 3.59 | 3.39 |
| 8 All stocks (13) | 173.80 | -0.60 | 175.03 | 1.00 | 2.15 | | | | | | | |

| Debentures and Loans | Mon Jun 13 | Day's change % | Fri Jun 10 | Accrued interest | xd adj. ytd | 5 year yield Jun 13 | Jun 10 | Yr. ago | 15 year yield Jun 13 | Jun 10 | Yr. ago | 25 year yield Jun 13 | Jun 10 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (76) | 127.00 | -1.85 | 129.13 | 2.25 | 6.27 | 9.75 | 9.51 | 8.87 | 9.68 | 9.46 | 9.31 | 9.62 | 9.42 | 9.47 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | June 13 | June 10 | June 9 | June 8 | June 7 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 91.96 | 92.92 | 92.78 | 92.92 | 92.62 | 95.37 | 107.04 | 91.04 |
| Fixed Interest | 109.39 | 110.27 | 110.55 | 110.23 | 110.76 | 111.87 | 133.87 | 109.12 |

* for 1994. [illegible]

### GILT EDGED ACTIVITY INDICES

| | June 10 | June 9 | June 8 | June 7 | June 6 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 92.7 | 115.0 | 89.9 | 81.9 | 92.8 |
| 5-day average | 94.5 | 98.9 | 97.9 | 100.0 | 100.8 |

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7.00 pm on June 13

[illegible]

### UK GILTS PRICES

[illegible]

### Other Fixed Interest

[illegible]

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# Christian Salvesen dip in line with warning

By David Wighton

In line with a profits warning issued in January, Christian Salvesen, the distribution and specialist hire group, reported its first downturn in annual profits since the 1970s with a pre-tax fall from £75.9m to £74.1m for the year to March 31.

The shares, which have underperformed the market by almost 20 per cent this year, added 8p to close at 255p.

Thanks to a lower tax charge earnings per share were steady at 19.2p (19.1p) and a recommended final of 4.8p gives a total dividend up 4 per cent to 8.1p.

Sir Alick Rankin, chairman, said this reflected the board's confidence in the future.

"We expect a better year, but are, not surprisingly, treating it with caution," he said.

Analysts are looking for profits to rise to about £80m with earnings per share rising to about 20p.

The company said it had tackled the problems at Aggreko, the specialist plant hire business which has been the engine of growth in recent years.

Aggreko has reversed an expansion into the competitive US construction market and the workforce in the US has been cut by 10 per cent.

With Aggreko's European operations also affected by recession, its operating profits slipped from £28.2m to £26.5m.

The distribution side turned in flat profits of £35.6m (£35.2m), excluding a £4.2m contribution from acquisitions.

Food distribution, which services most of the main UK supermarket chains, was slightly ahead.

Lydia van der Meer

Chris Masters: growth coming largely from industrial businesses

Profits from the consumer products contract with Marks and Spencer were down since its fees were based on a formula linked to UK short-term interest rates. This has now been renegotiated.

Mr Chris Masters, chief executive, said grocery distribution in the UK was now a mature market and the division's growth was seen coming largely from its industrial business. This was significantly expanded by the acquisition of Swift for £84.5m in October 1993.

The deal pushed group gearing from 14 per cent to 51 per cent over the year, but it should be down below 45 per cent by the end of this year.

Profits from the brick business rose by 76 per cent to £3m. Vikoma, the pollution control equipment manufacturer which is up for sale, turned in £1.5m.

Profits included a net £6.6m from the release of provisions, taken below the line in 1992, to cover the closure of its German manufacturer distribution business. This was offset by write-offs elsewhere to leave a net exceptional gain of just £100,000.

See Lex

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Banner Homes ........fin | 1 | Sept 6 | - | 1 | - |
| Cropper (James) ......fin | 2.4 | Aug 16 | 2.125 | 3.5 | 3.1 |
| Cullen's ....................fin | nil | - | 0.5 | nil | 0.5 |
| Oriflame Intl ..............fin | 8.7♥ | Sept 28 | 8 | 13 | 12 |
| Prospect Inds .............int | 0.29 | Aug 22 | 0.275 | - | 0.8 |
| Salvesen (C) ...............fin | 4.8 | Aug 8 | 4.6 | 8.1 | 7.8 |
| Umeco § ....................fin | 1.25† | Aug 15 | 1 | 2 | 1.75 |
| Unidare .......................int | 4.5♣ | July 30 | 4.4 | - | 10.1‡ |

Dividends shown pence per share net except where otherwise stated. ♥Gross. †On increased capital. §USM stock. ♣Irish pence. ‡For nine months.

# Inflatables side sold by Avon Rubber for £7.8m

By Peggy Hollinger

Avon Rubber is selling its lossmaking inflatable boats business for a total of £7.8m to a former director of GEC.

This is almost the last of the troublesome businesses to be dealt with in the restructuring which has carried the tyres and automotive components group through four years of recession.

It is estimated to have incurred pre-tax losses of £2.5m over the last three years and is expected to incur a loss of about £700,000 for the nine months it will have been included this year. Avon has had to provide a secured guarantee to the new company's banking facilities of up to £3m until September 1995.

Avon Marine, a company set up by Mr David Powell, a former GEC director, is buying the business. Avon Rubber is taking a 10 per cent stake worth £420,000 as part of the purchase price, as well as a cash payment of £2.9m, and will have a seat on the board.

Marine will also take on £3.7m in debt, and pay a further £780,000 to Avon Rubber following the sale of certain stocks.

CINVen, the venture capital company, is backing the transaction and will also have a seat on the board.

The division's net assets are estimated at £4.6m, resulting in a goodwill write-off of £3.1m. Avon Rubber's gearing is expected to fall from 38 per cent to 28 per cent as a result of the transaction.

## Stapleton joins FT-SE-A committee

Mr Nigel Stapleton, chairman of The Hundred Group of UK finance directors and chief financial officer of Reed Elsevier, has been appointed as a member of the FT-SE-Actuaries Share Indices Steering Committee. He is the first representative of a listed company to serve on the committee.

# A move to regain the initiative

**Paul Taylor** on the attractions of the Viglen purchase for Amstrad

Amstrad's proposed acquisition of Viglen, the PC manufacturer which sells its machines direct to its customers, represents a significant shift in the UK consumer electronic group's strategy.

Mr Alan Sugar, Amstrad's founder and chairman, acknowledged this yesterday when he said the deal represented the start of "a new direction for the company".

"We are looking to be in businesses where the products we are producing will be sold directly to the parties that use them," Mr Sugar said.

The Amstrad chairman, who has been a bitter critic in the past of the purchasing policies followed by the high street multiples like Dixons, said the move represented the natural outcome of the erosion of margins in the traditional distribution channels.

Amstrad has seen the margins on nearly all of its traditional product lines, including personal computers, evaporate as competitors rushed into consumer electronics markets pioneered by the company.

Two years ago, when Mr Sugar proposed buying back the Amstrad shares he did not already own for 30p each, he claimed he was making the proposal because Amstrad had run out of ideas and become just another "me-too" company lacking "blockbuster products" and destined to deliver only mediocre profits.

However, Amstrad's shareholders turned down his buy-back proposal and Mr Sugar said yesterday that the group's new direct sales strategy was an attempt to steer Amstrad back towards "large profits".

By selling directly to customers Amstrad believes it will be able to recapture the margin that has traditionally gone to retailers.

Mr Sugar said yesterday that a similar direct sales approach would be taken by Dancall Radio, the Danish-based advanced digital telecommunications equipment group which Amstrad acquired last September.

The Amstrad chairman added that the new distribution policy had the full support of Mr David Rogers, the senior Philips executive who was appointed Amstrad's chief executive earlier this month.

Mr Rogers' job at Amstrad will be to oversee a rapidly growing group of operating companies including Viglen, Dancall and Betacom, the consumer telecommunications equipment manufacturer which is majority owned by Amstrad but which also retains a separate quote.

He will also be in charge of Amstrad's traditional consumer electronics business which, among other products, also makes a range of Amstrad personal computers.

Most analysts have been expecting Amstrad to abandon the PC business altogether because of its wafer-thin margins and the fast pace of technical innovation which means that manufacturers always risk sitting on stock with a declining value.

However, Mr Sugar emphasised that it had never been Amstrad's intention to abandon the PC business altogether, only the low-margin retail end of the business.

Explaining the decision to buy Viglen he said the company was "not just a box shifter".

He said Viglen had developed an increasingly profitable business delivering "made to measure" PCs mainly to corporate, government and institutional customers which distinguished it from other so-called PC "clone" assemblers.

Over the past few years the UK PC market has become increasingly competitive as clone manufacturers – many of which also sell directly through computer magazines – have cut prices in an effort to boost volumes.

However, Viglen, along with a handful of other UK-based PC manufacturers and assemblers like north London-based Elonex, have managed to differentiate their products and customer service and establish themselves as second-tier PC suppliers behind industry leaders such as IBM and Compaq Computer.

Mr Sugar emphasised that Viglen would continue to be run by the mainly Armenian team of young entrepreneurs who have built the business up over the past five years.

# Few non-professional investors can understand new accounts guidance

By Andrew Jack

Few non-professional investors can understand the operating and financial review, the new guidance on commentary in accounts which is designed to explain a company's performance in words, a survey suggested yesterday.

Analysts and investors believe non-professional readers of accounts will not bother to read nor be able to use the information in the review, research sponsored by the Institute of Chartered Accountants of Scotland said.

Professionals, however, found them very useful.

The review was introduced by the Accounting Standards Board last year as a voluntary code, and its guidelines are now being followed by a growing number of companies.

The aim is to allow directors to describe their company's performance in a way that they feel most appropriate, outside the restrictions of formal accounting standards.

The survey, conducted by Professor Pauline Weetman, director of research for the Institute, calls for the review to be made into a mandatory standard as quickly as possible.

It says the review should have statutory backing through changes to Stock Exchange rules or more rigorous audit guidelines.

Based on detailed interviews with 20 institutional investors and senior staff with broking firms, it rejects the argument by companies that much new information cannot be disclosed because it is commercially sensitive.

It says companies should see the review as a way to demonstrate their openness and accountability by reporting significant uncertainties and providing forward-looking information.

It also recommends that ways should be found to reduce the time lag between a company's results and the production of the annual report months later.

*The operating and financial review: views of analysts and institutional investors. Institute of Chartered Accountants of Scotland. 27 Queen St, Edinburgh EH2 1LA. £12.50*

# Cheltenham & Gloucester faces legal action from former partner

Cannon Assurance, an offshoot of Lincoln National, the US life assurance group, is taking legal action against the Cheltenham & Gloucester Building Society claiming it has not been paid fees for introducing mortgage customers.

The dispute follows the termination of a joint-venture between the two companies in October 1992. For a period of about 18 months Cannon sold mortgage packages, produced by C&G Guardian, a centralised mortgage lender taken over by C&G in 1990.

Cannon claims no fees have been paid since January 1993. A writ was issued last week.

# Old Mutual to launch first UK S African trust

By Bethan Hutton

Old Mutual, the life company which is South Africa's largest institutional investor, is to launch the UK's first South African investment trust.

The Old Mutual South Africa Trust is hoping to raise about £50m to invest in a range of South African companies, with a bias towards smaller and medium-sized companies and the financial and industrial sectors. The fund will be managed with a bottom-up, stock-picking style.

The fund's managers say that South Africa combines much of the growth potential of an emerging market with the developed infrastructure of an advanced industrialised economy and a stock market more than 100 years old. The ending of sanctions and improved political stability provide encouraging opportunities for growth.

The fund's bias towards smaller companies is intended to avoid duplicating investment in areas which are easily accessible to foreign institutional investors, focusing instead on areas of the market for which research is not widely available overseas.

South Africa is due to be included in the IFC emerging markets index, where it will have a weighting of about 13 per cent. This is expected to lead to heavy inflows of overseas money into South Africa, and the Old Mutual trust hopes to appeal to institutions looking for a quick way to increase South African exposure in line with the index.

The fund is mainly targeted at institutional investors, but there will also be a public offer to allow private investors a chance to participate.

Lord Tombs, former chairman of Rolls-Royce, will chair the trust, with other board members drawn from Old Mutual and the UK investment trust sector.

Shares will be issued at 100p with one warrant attached to every five shares. The public offer opens on June 23, and closes on July 1.

# St Modwen property sales to raise £37m

By Simon Davies

**St Modwen Properties, the Birmingham-based property development and investment company, is to sell £37.3m of properties, which should bring in total net profits of close to £8m.**

**It has sold the Octagon Shopping Centre in Burton-on-Trent to Scottish Amicable for £22.9m, representing a yield of close to 7 per cent. In addition, it has disposed of a retail development project to Mercury Property Fund for £14.4m.**

**Mr Stan Clarke, chairman, said: "I believe that the property market in many areas has reached a peak in prices".**

**St Modwen's share price reacted favourably to the sales, rising 3p to 49p.**

**The disposals were in line with the company's strategy of focusing on second grade properties where it can enhance the rental income through intensive management.**

**The proceeds will reduce gearing to 50 per cent, although acquisitions are likely to follow.**

**The sale of Octagon will realise a £3m net profit, after writing off £700,000 for the winding down of a related interest rate swap. It will repay £11m of connected debt.**

**The sale of the Oldbury Green development site in the West Midlands was expected, after the company signed up tenants for the 12.5 acre site, with Sainsbury's Homebase as its anchor. The net profits are believed to be close to £5m.**

# The most beautiful factory in all the land

## Andrew Baxter on British Steel's biggest Turkish project since the Bosphorus Bridge

About 100 miles east of Istanbul is a group of new buildings which Mr William Boyd thinks is the most beautiful factory in Turkey.

"I hope lots of Turkish industrialists drive past and say, 'I want one like that,'" he says.

Mr Boyd is general manager for central and eastern Europe at British Steel, which has just completed producing £3m of structural steel and cladding for the factory at Adapazari.

From September it is due to be producing Toyota Corollas in a £325m joint venture, called Toyotasa, between Turkey's Sabanci group, Toyota itself and Mitsui, the Japanese trading house.

The contract is very important for British Steel's business strategy in Turkey.

The Toyotasa plant is highly visible, not only as a striking building in a mainly agricultural region but also as the first Japanese passenger car plant in Turkey.

Mr Boyd hopes it will begin a trend for steel to be used in industrial and other buildings instead of the traditional concrete.

But there *is* another reason why Mr Boyd – who took over at the Istanbul office eight months ago – is happy.

British Steel is also supplying Toyotasa with at least 45 per cent of the steel for the Corollas' body panels, exporting up to 4,500 tonnes of blanks a year from the UK.

That lifts the total value of British Steel's involvement with Toyotasa to £10m, making it the steelmaker's biggest project in Turkey since the Bosphorus Bridge in 1973.

To show how significant British Steel believes the deals are, Mr Brian Moffat, chairman and chief executive, was personally responsible for the inaugural tree planting ceremony.

British Steel's trading company in Turkey, British Steel Celik Ticaret, was set up in 1987, with the UK company holding a 50 per cent stake and Turkish interests, including the family company Ege Metal, holding the rest.

"Because of Turkey's location it is a natural place for countries from the Ukraine to Italy to sell steel, and very competitive," says Mr Boyd. So, unwilling to compete with the prices offered by subsidised competitors, British Steel has concentrated on high value added products.

The Toyotasa contract was a classic example. The venture could not get the quality of galvanised steel it wanted for the cars from local suppliers and is instead buying two grades from British Steel and Sollac, part of Usinor Sacilor, and a third grade from Nippon Steel.

British Steel won the order on technical performance and price. It was also helped by being a supplier of steel coil for Toyota's UK plant near Derby.

The steel for the Toyotasa car bodies is to be processed into blanks by British Steel Distribution at Warley in the West Midlands, and shipped by Mitsui to Turkey.

Steel for the factory's precoated cladding was shipped from Shotton, north Wales, and profiled into polyurethane-filled roof and wall panels at British Steel Yasan in Istanbul, another joint venture in which British Steel has a 25 per cent stake.

The Yasan joint venture has won 10 other small contracts and was profitable in its first year of operation. It is now bidding to be subcontractor for whichever of six construction companies builds a proposed Honda car plant in Turkey.

Outside the Toyotasa plant at Adapazari, showing steel cladding

Next door to the venture, on a dusty industrial estate, a steel service centre owned by Yasan, 50 per cent shareholder in BSY, is being converted into a showpiece for steel cladding.

The Toyotasa plant was designed by Ove Arup, but persuading Turkish architects to specify more steel for factories, offices and even high-rise apartment blocks may not be easy.

"It's just that we have been slow to change from concrete," said Mr Sarik Tara, chairman of Enka, Turkey's largest construction company and builder of the Toyotasa plant.

Mr Boyd is betting that where Enka goes, other Turkish construction companies will surely follow.

He also hopes British Steel can benefit indirectly from the push by the Turkish construction sector into eastern Europe and neighbouring CIS republics. The immediate prospects of further work in Turkey for BSY are not that bright because of Turkey's austerity package announced in April and uncertainty over the future of the economy and the Turkish lira.

Industrialists are holding back from building new factories, but Mr Boyd says the long-term future is quite good, with a lot of infrastructural work needed in Turkey.

The trading company is also likely to see volumes fall this year, after rising steadily to 110,000 tonnes last year.

But Mr Boyd has high hopes of developing the market for more specialised UK flat-rolled steel.

He is currently trying to persuade Arçelik, the fast-growing Turkish white goods producer, to buy white pre-painted steel, rather than set up a paint shop at a proposed new fridge factory.

At Toyotasa, meanwhile, Mr Ozdemir Sabanci, president, admits he is relieved the plant is opening in September rather than now, when car sales in Turkey have virtually ground to a halt.

But although he is less optimistic than some about the Turkish car market, he still believes it will rise from a record 440,000 units last year to 600,000 by the end of the decade.

Toyotasa is due to produce about 2,000 cars this year and 30,000 in 1995.

It has promised the Turkish government it will have capacity of 100,000 by May 1997.

The venture is also studying whether to add further Toyota models, said Mr Sabanci.

On current forecasts of demand, British Steel's supply of blanks would last about four years, and while there are no guarantees, the UK company should be in a good position to supply for longer.

Toyotasa has promised Ankara that cars from the plant will have 70 per cent local content after five years of production.

But if Turkey is in the European Union by then, the UK steel – and engines being supplied by Toyota's Deeside plant – would count as local content.

Also, while Mr Sabanci believes component suppliers may set up around the car plant as demand grows, steel for the car bodies will not be available in Turkey "for the foreseeable future," he says.

It may be going a bit far to bracket Adapazari with Coventry or Luton, but at least parts of the plant's new cars will be British.

# Lloyds Chemists in £10.5m expansion

By Caroline Southey

Lloyds Chemists, the UK's second largest pharmaceuticals retailer, yesterday announced it was to buy Daniels, a pharmaceutical wholesaling and manufacturing business, for £10.5m.

Mr Peter Lloyd, chief executive, said the acquisition would increase the company's national wholesaling business and expand its customer base. He said the deal was also an opportunity to build pharmaceutical manufacturing interests.

Daniels, made up of Daniels Pharmaceutical, Shapebase and H Wilkinson, operates a wholesaling business in the north-west of England, the east Midlands, East Anglia and the northern home counties.

It also owns a manufacturing business in Derby and a surgical wholesale business in Nottingham. Operating profits were £1.55m in the year to June 30 1993 with net assets at the date of £913,000.

Lloyds has expanded its geographical spread during the last 12 months, acquiring 25 pharmacies throughout the UK bringing the number of its retail outlets to 1,510.

In March Lloyds reported a 16 per cent increase in interim pre-tax profits to £26.2m (£22.6m) for the six months to December on sales up 17 per cent to £460m.

# Cullen's swings into deficit of £674,000

Cullen's Holdings, the grocery retailer, suffered pre-tax losses of £674,000 for the year to February 27 compared with profits of £401,000.

The losses were mainly associated with the operations of the Reds Chicken and Ribs division, Mr Robert Rayne, chairman, said, while the Neighbourhood Food Stores and Patisserie divisions had performed satisfactorily.

Total turnover improved to £29.7m (£27.4m) with some £24.4m (£23m) coming from the Cullen's estate.

Mr Rayne added that in the current year sales of the Neighbourhood Food Stores were 5.6 per cent up on a like-for-like basis and profits were in line with budget.

Losses per share amounted to 2.8p (0.8p earnings) and there is no dividend (0.5p).

# Jarvis shares fall as loss emerges at £3.2m

By Graham Deller

Shares of Jarvis dipped 3p to 13½p yesterday after the building, civil engineering and property group announced a further deficit reflecting continuing problems in its construction activities.

On turnover down 23 per cent to £70.8m, the pre-tax loss for the 1993 year narrowed from £3.72m to £3.15m.

Mr Harvey Bard, chairman, said that despite a "reasonable" contribution from property and an improved showing from the products and services side, the group incurred losses "significantly greater than anticipated" in construction where "severe trading conditions . . . showed no sign of improvement". This, he said, had dealt a "severe blow" to recovery hopes expressed at the interim stage.

Tender prices were depressed by "intense" competition, making it difficult to cover overhead costs. Substantial loss provisions were required against a large road contract in Essex where problems continue, while a pipeline contract for Severn Trent Water incurred heavy losses before its completion.

Despite the £2.4m rights issue last summer, shareholders funds dipped to £13m (£13.3m) by the year end, equal to 36p per share.

Future cash demands of a reduced construction operation will be funded by realising part of the investment property portfolio.

Losses per share were 10.5p (9.9p rights adjusted).

## NEWS DIGEST

### Cropper doubles to £2.6m

Increased sales volume and reduced interest charges helped James Cropper, the Cumbria-based paper and board manufacturer, announce record profits.

On turnover ahead 13 per cent, to £45.7m, profits before tax more than doubled from £1.25m to £2.56m for the 53 weeks ended April 2.

The directors attributed a "significant reduction" in borrowings to the group's strong cash flow.

Order books were currently full and sales above budget.

A recommended final dividend of 2.4p brings the total for the period to 3.5p (3.1p) covered over 5 times by earnings of 19p (9.4p) per share.

### Trinity contract

Mr Geoff Hollyhead, chairman of Trinity Holdings, told the annual meeting that the vehicle manufacturer had been awarded a contract to supply Badgerline with 576 bus chassis.

Together with further orders, including 160 chassis for Stagecoach, the contract constituted a record monthly intake for the Dennis Specialist Vehicles subsidiary, totalling some £33m.

This latest contract pushed Trinity's order book for the current year to some £100m.

### Umeco in black

Umeco, the USM-traded aircraft refueller manufacturer and seals and sealants concern, ended the year to March 31 with pre-tax profits of £511,000. Last time saw losses, FRS 3-adjusted, of £144,000.

Directors said the performance reflected a lower cost base and the introduction of new products and services.

Turnover rose from £11m to £13.4m, including £1m from acquisitions. Earnings per share were 3.53p (3.4p losses) and an increased final dividend of 1.25p lifts the total from 1.75p to 2p.

### Livingwell Health

Livingwell Health and Leisure, a health club operator, has been bought by its management from the Mannai Investment Company for £10.6m.

Funding was arranged by NatWest Ventures, which underwrote £3m of new equity.

Mannai has retained a minority interest.

### BA chief pay rise

In his first full year as chairman of British Airways, Sir Colin Marshall received a 19 per cent increase in his total pay, from £663,830 to £788,019.

During the 12 months to March 31 BA's pre-tax profits rose 63 per cent to £301m, against £185m.

Sir Colin, the highest paid director, received an increase to £492,662 (£429,949) in his basic salary with a further performance related £61,750 this time. Of the comparative figure £86,691 related to his period from being appointed chairman in February 1993.

### Hemingway buys

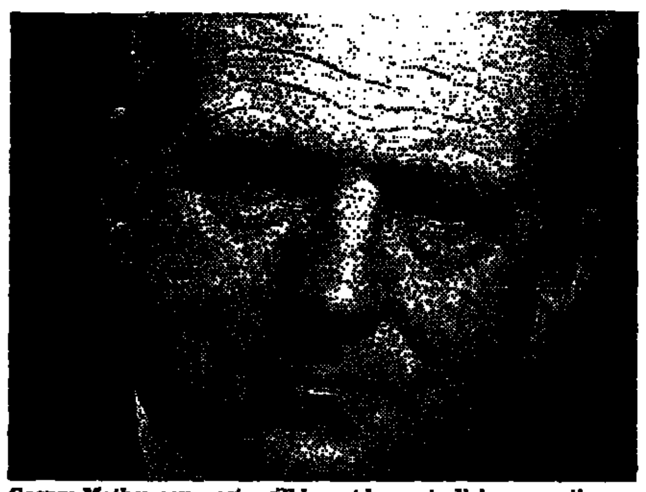
Hemingway Properties is to acquire the head leasehold interest in Templars Square shopping centre at Cowley, Oxford, for £16m.

Templars Square, which was developed in 1965 and refurbished in 1989, consists of 87 individual units providing a total of about 240,000 sq ft of retail space. Net initial income is £1.4m a year, expected to increase to about £1.6m a year over the next three years.

## COMPANY NEWS: UK AND IRELAND

# Royal Bank expands in US with $140m buy

By John Gapper, Banking Editor



George Mathewson: costs will be cut by centralising operations

Royal Bank of Scotland yesterday announced a further addition to Citizens Financial Group, its fast-growing US retail banking subsidiary, with the proposed $139.9m (£93.2m) acquisition of the Massachusetts-based Quincy Savings Bank.

Royal Bank said it would inject $115m of capital into Citizens to fund the purchase, which is the fourth acquisition in the past year, and the seventh since it acquired Citizens, the fifth largest New England bank, in 1988.

Royal Bank is paying 1.9 times the book value of Quincy, or $25.75 per share. This is higher than the multiple of its past acquisitions, which it said was because of growing competition to buy banks as part of an industry consolidation.

Mr George Mathewson, Royal Bank's chief executive, said that the acquisition, which is subject to approval by Quincy's shareholders and regulators, would reinforce its presence on the east coast of Massachusetts south of Boston.

He said that Citizens would be able to cut costs significantly in Quincy's 14-branch network by centralising operations. Some branches are expected to be closed and combined with existing Citizens branches.

Quincy made a first quarter profit of $1.9m this year after reporting a full-year loss for 1993 of $8.5m. This was mainly caused by provisions for loans and real estate losses of $23m following the New England property market downturn.

Mr Mathewson said Royal Bank had examined Quincy's asset quality and was satisfied that no further problems would emerge. He said it had a very strong deposit base, and Citizens hoped to sell other products to its customers.

He said that Citizens expected to expand further through acquisition, but expected that it would not grow beyond $12bn in assets. The purchase of Quincy, which has assets of $833m, will bring Citizens' assets to $8.9bn.

Mr Mathewson said the purchase would weaken Royal Bank's capital ratios only slightly. Royal Bank did not intend to sell Citizens, "but obviously we want to make it a better business which would be more attractive".

# Unidare in red after provision of I£8m

By Caroline Southey

Unidare, the Dublin-based industrial group, fell into the red with pre-tax losses of I£4.6m (£4.71m) in the six months to March 31 after a I£8m provision to dispose of its wire businesses.

Profits last time were I£2.68m.

The interim dividend, however, is lifted to 4.5p (4.4p), because, before the provision, operating profits rose 26 per cent to I£3.89m (I£3.08m) on sales of I£84.8m (I£63.3m). The wire businesses recorded losses of I£700,000 in the six month period.

Mr Peter Gray, finance director, said the proposed divestment was an important piece of refocusing for the company and would reinforce welding and heating as Unidare's core businesses. After the disposal, nearly 85 per cent of the company's turnover will be generated by these two sectors.

He anticipated the second half would show improvement subject to the elimination of the losses from the wire division.

Mr Gray said the welding division continued to perform well, mainly due to the integration of Nasco, the US welding distribution business. In the UK increased exports pushed up sales although the outlook was "patchy", he said.

Unidare maintained its share of the UK's storage heater market although profits from that division were below previous years.

Losses per share stood at 26.53p (earnings 12.52p).

The shares closed 10p down yesterday at 335p.

Better than expected growth in Latin America and eastern Europe

# Oriflame advances 17% to £14m

By Peggy Hollinger

Strong growth in new markets has encouraged Oriflame International, the door-to-door cosmetics group, to give shareholders their first dividend increase in four years.

Oriflame accompanied this with the announcement of a 17 per cent rise to £14m in pre-tax profits for the year to March 31.

Sales growth, held back by currency movements, increased by just 4 per cent to £86.7m.

Mr Robert af Jochnick, chairman, said the three years of steady profits growth had left Oriflame well positioned for a dividend increase. The payment was raised 9 per cent to 8.7p for a total 8 per cent higher at 13p. Earnings were 10 per cent up at 22.4p.

The shares rose 6p to close at 270p.

Mr af Jochnick said Oriflame had enjoyed better than expected growth both through its own efforts in emerging markets such as Latin America, and through Oresa, its eastern European sister company.

Oriflame founded Oresa three years ago to tackle the newly-opened eastern European markets. To minimalise risk, Oriflame had limited its stake to 24 per cent. The UK-quoted group receives royalties for use of the Oriflame brand-name and supplies product from its Irish factory.

Oresa contributed a total of £5m to overall profits last year, Mr af Jochnick said.

Aco, the Swedish toiletries brand acquired in 1991, continued to exceed all expectations, Mr af Jochnick said. Sales were 9 per cent ahead in local currency, although exchange rates left the sterling contribution 5 per cent lower. Aco contributed a further £5m in profits to the overall group.

The chairman said Oriflame was confident of substantial growth this year through its focus on emerging markets such as Latin America and Asia. These were showing a substantial improvement in sales for the first two months of the year, albeit from a small base. He expected emerging markets to account for about £15m of turnover by the end of the year.

# ICI considers Pakistan plant

By Daniel Green

ICI is considering spending more than $300m (£200m) on building a chemicals plant in Pakistan.

The plant would increase ICI's manufacturing capacity in teraphthalic acid (PTA), used in the manufacture of polyester fibre, by one third and be the first such plant in Pakistan.

The project has yet to receive the approval of ICI's board, a process which is likely to take several months.

The investment would come from ICI Pakistan, the 61.5 per cent-owned subsidiary, which already produces polyester fibre, soda ash and other substances.

The plant would have a capacity of 300,000 tonnes a year, compared with the 250,000 tonnes PTA plant ICI built two years ago in Taiwan.

ICI said yesterday that the Pakistan market for PTA was growing at 15 per cent a year, currently satisfied entirely by imports.

The PTA market is growing quickly around the world, with Amoco, the US petrochemicals company, the market leader. ICI said global PTA capacity was 9.4m tonnes a year, compared with 2.3m tonnes a year in 1980. The growth was the equivalent of two or three "world scale plants" such as that proposed in Pakistan being built each year, said ICI.

# Dixons to accelerate Currys revamp

Dixons, the electrical retailer, is accelerating the shift of its Currys chain into out-of-town superstores by disposing of 100 high street branches this year, writes Neil Buckley.

The group has appointed Conrad Ritblat Sinclair Goldsmith to rationalise Currys. Costs of the programme will be disclosed next month.

Dixons said moving Currys out of town had long been its aim, but although it had reduced the high street stores from 500 to 335, it had been held back by the sluggish property market. Keeping stores open had often proved better than closing them without being able to dispose of the lease. However, Dixons said the property market was now recovering and the "trend of improving returns in the high street stores has come to an end".

Dixons plans to add up to 40 stores to Currys' 158 superstores this year.

# Maher gets £0.39m pay-off

By Maggie Urry

Mr Terry Maher received a total of £581,290, including compensation for loss of office of £392,176, in his last 10 months as chairman and chief executive of Pentos, the Dillons and Rymans retail group.

Mr Maher, who founded the company in 1972, quit on October 29 last year after the group announced its first loss.

For 1993 as a whole, the pre-tax loss was £70.6m, and in March the group launched a £45m rights issue to restore the balance sheet.

The annual report for 1993, published yesterday, showed that in the period up to October 29 Mr Maher received £171,519 in salary and £17,595 in pension contributions as well as the compensation package.

Sir Kit McMahon, who took over as chairman on a non-executive basis, was paid £2,671 in fees in the last two months of the year.

The new chief executive, Mr Bill McGrath, was appointed on January 1 this year.

# Banner Homes at £1.2m and sees housing market recovery

By Joan Gray

Encouraging demand helped Banner Homes Group, which obtained a full listing in December, increase pre-tax profit for the year to March 31 from £250,000 to £1.2m.

Turnover was ahead at £8.31m (£6.63m).

Housing output more than doubled with 68 units sold, up from 32, and Mr Stuart Crossley, chairman, was optimistic about a recovery in the market.

"As values edge upwards negative equity problems appear to be receding. There is now a whole new generation of home owners who, since the market bottomed out, have seen the value of their home increase and the cost of their mortgage decrease."

The £3m proceeds of a rights issue received in January have been invested in new sites and the company plans to have 278 units under construction on 20 sites by the end of 1994.

Gearing at the year end was 104 per cent, with borrowings covered by the £900,000 income stream from the fully let industrial properties.

Earnings came out at 8.3p (1.9p). Dividends are resumed with a proposed final of 1p.

# Exceptional gain cuts Prospect loss to £0.5m

Prospect Industries, the specialist engineer, reported a lower seasonal loss of £489,000 pre-tax for the six months to March 31, against £1.24m. The result was helped by an exceptional gain of £736,000 arising from the sale of a loan note.

Mr Philip Wilbraham, chairman, said the company continued to operate in an aggressive and competitive environment. However, it had won a record number of orders, including increased work overseas.

He added: "At this stage of the year the future looks encouraging."

Taking into account the outlook the interim dividend is raised from 0.275p to 0.29p. Losses per share were down at 0.06p (0.56p) or 0.05p (0.48p) fully diluted.

Turnover slipped to £21.4m against £22.1m including £594,000 from discontinued activities. The operating loss from continuing activities was lower at £1.01m (£1.03m).

# New chief at Shanks & McEwan

By Peggy Hollinger

Shanks & McEwan, the waste management company, yesterday closed the book on four months of searching to announce the appointment of Mr Mike Averill, group operating officer, as chief executive.

He replaces Mr Gordon Waddell, who had been acting as temporary chief executive since the abrupt departure of Mr Roger Hewitt in January following a profits warning. Mr Hewitt is understood to have left the group following pressure from institutional investors over Shanks' performance and a lack of confidence in its management.

Mr Averill, 43, had been tipped as the most likely candidate to replace Mr Hewitt. He came to Shanks through the acquisition of Rechem in 1993, where he had been managing director.

COMMODITIES AND AGRICULTURE

# Aluminium and coffee lead renewed advance

By Richard Mooney

Base metals and soft commodities made a bright start to the week with leading contracts at both the London Metal Exchange and the London Commodity Exchange registering big gains.

At the LME the pace was set by the aluminium market, which saw the three months position confirming last week's break above the $1,400-a-tonne resistance area. The price closed at $1,427.25, up $21, after reaching a 33-month high of $1,433 at one time.

Dealers told the Reuters news agency that there was a growing consensus in the market that aluminium's fundamentals were turning round at last after a long period during which oversupply had lifted stocks of the metal in LME registered warehouses to unprecedented levels.

They said the next target on the upside was $1,460 a tonne, which could signal the start of a major bull market.

"The tide is turning for aluminium," said Mr William Adams, research analyst at London broker Rudolf Wolff. "As long as smelters do not renege on their cutback announcements, the fundamentals should continue to improve."

Aluminium's strength helped the copper market to repeat last week's assault on resistance at $2,400 a tonne – and this time it appeared to have succeeded. Good buying was attracted by an early dip to $2,380 for the three months price and, after peaking at $1,423, it closed $27.50 to the good at $2,411.50. It moved up again in after hours trading to $2,420.

But Mr Phillip Crowson, chief economist at RTZ, the world's biggest mining group, told an analysts' meeting in Paris that copper's current price level was temporary and would "see a retreat before 1995".

Copper supply was now falling short of demand, he said, but in the next few months cheap Russian exports might resume now that cold weather would no longer slow output.

At the LCE, meanwhile, the September delivery robusta coffee price surged to $2,330 a tonne in an active morning session, adding $182 to last week's $57 advance. It was trimmed back to $2,290 at the close.

Traders attributed the fresh surge to Friday's US Department of Agriculture report predicting lower world green coffee output in 1994-95. The department said it expected production to total 90.6m bags (60kg each), down 4 per cent from last season's harvest.

Reuters reported that buying was well spread between traders, commission houses and speculators, with some investment funds also returning to the fray.

With coffee's bullish mood firmly re-established some of the enthusiasm spilled over into the cocoa market, where September delivery futures rose £21 to £1,016 a tonne. "The funds are looking for value," said one trader. "They seem happy to sit and let the price go up, rather than liquidate long positions."

● Coffee stocks held by Brazilian co-operatives fell in May to 1.79m bags from 2.16m bags in April, said the National Coffee Council, a growers organisation, reports Reuters from Rio de Janeiro.

# Making the most of oil in a hostile climate

## John Thornhill highlights the problems of exploiting reserves around Kagalyn, Siberia

It is a relief to leave Kogalyn. The name of the Siberian oil town – meaning "a place where men perish" in the local Khanta dialect – is entirely appropriate; Kogalyn suffers from one of the most hostile climates known to man.

Built in seemingly interminable swamp land, Kogalyn shivers in temperatures of minus 55° C in winter and scorches in summer, when swarms of mosquitos come out to play.

"Mother nature was not kind when she put down oilfields. But Siberia is still one of the toughest places to work in," says one western oil man surveying the distant landscape.

Even so, Soviet central planners decreed more than 20 years ago that the Tyumen region's oil reserves should be exploited. Kogalyn, a town of 60,000 people, emerged as an important oil production centre.

It is doubtful whether any modern oil company having a nodding acquaintance with the free market would develop the fields today. Kogalyn's remote situation means infrastructure costs would likely to outweigh financial gains. But with the the development costs having already been covered in the Soviet era it is becoming an attractive proposition to increase the yields of existing wells and develop adjacent fields.

The task has fallen to Lukoil, Russia's largest oil company, which was established in 1993 when disparate exploration, refining and marketing operations were welded together. Lukoil now accounts for 15 per cent of Russia's oil output. Only Shell, BP and Exxon are bigger in terms of oil extraction and refining.

> 'Mother nature was not kind when she put down oilfields. But Siberia is still one of the toughest places to work in.'

The challenges confronting the new company – and the Russian oil industry as a whole – are immense. Last year oil production in the Tyumen region fell by 16.4 per cent and Lukoil's output slid from 57.1m tonnes to 48.8m. The company expects a further decline of 5 per cent this year.

Mr Semion Vainshtok, director general of Lukoil's largest production subsidiary, Kogalymneftegaz, is busy fighting fires on many fronts. But perhaps the greatest is the change of mentality of the workforce, for whom cost was a seemingly unknown concept.

"Three hairs on your head are too few. But 3 hairs in your borsch are too many," he says, illustrating a need for a change of perspective.

Much attention is being paid to reducing electricity consumption and the volume of water being pumped into the oil reservoir. Stricter production guidelines have been introduced. About 1,000 employees have been laid off and a further 300 are on compulsory leave. Comparable statistics are hard to come by but Kogalymneftegaz estimates that such measures have already shaved two to three percentage points off the production cost of a barrel of oil. Annual savings could run to 60bn roubles, it claims.

Kogalymneftegaz is also trying to raise the yield of existing fields. It is drawing on the expertise of several western companies. One of them, Calgary Overseas, a private Canadian group, has already helped to "work over" 1,000 wells, at an average cost of $220,000 each.

Mr Robert Lipsett general manager of Calagary Overseas, estimates that those improvements have helped to raise the output of the nearby Vatyegan Povkh fields by 10 to 15 per cent.

"The Russian's have very sophisticated technology for the oil and gas industry but they do not meld it all together to maximise production and minimise cost," he says.

The Canadian contingent is steadily declining as the local Russians learn to co-ordinate such work themselves. Lukoil eventually hopes to transfer its own skills abroad. In collaboration with Agip of Italy, it has started oil projects in Tunisia and Egypt.

But many of Lukoil's problems are beyond its control. Financial upheavals in the Russian economy have resulted in cashflow problems and Lukoil says its customers owe it 600bn roubles. It is restructuring its finances to ensure that it has sufficient cash available in its operating companies. "You cannot a build an island of well-being in a sea of economic troubles," says Mr Vainshtok.

Lukoil has also tangled with the government over taxation issues and export quotas. The company wants to break free of the state grip and operate as a wholly-independent privatised company.

The government intends, however, to retain 45 per cent stake in Lukyl for the next two years and will continue to influence the company's actions.

As a private corporation, however, Lukoil may face a fresh set of challenges. It is already entangled in a bitter legal dispute with Frankenburg, a Houston-based oil company, which is claiming more than $500m in damages for breach of contract, Lukyl denies the charge.

# Bean rescue planned for Rwanda

By Leslie Crawford in Nairobi

A tropical agriculture institute based in Cali, Colombia, has begun an emergency breeding programme for bean seeds to supply Rwandan farmers when the bloodshed in the central African country stops.

"The war has claimed half a million lives, but famine in war's wake may take millions more unless local food production can be restored rapidly." Mr Gustavo Nores, the director of the International Centre for Tropical Agriculture (CIAT), said during a visit to Nairobi.

His centre, which runs a gene bank containing 285 Rwandan bean varieties, plans to multiply 200 tonnes of seeds that will enable farmers to plant a new crop and restore the genetic diversity of Rwandan beans when peace is restored.

The resumption of civil war in Rwanda, sparked by the death of President Juvenal Habyarimana in an air crash eight weeks ago, has displaced millions of civilians inside the country and caused the exodus of some 400,000 refugees. Aid workers have warned of the danger of impending famine as the fighting and indiscriminate slaughter of civilians has caused farmers to abandon their crops.

Beans are the staple food crop for Rwandans, providing 65 per cent of dietary protein and 32 per cent of their daily calorie intake. Before the war, CIAT introduced Latin American climbing beans into Rwanda, which doubled yields in Africa's most densely populated country. With 700 people per square kilometre and limited farmland, Rwanda needs to increase crop yields if it is to continue feeding its population.

Agricultural research stations in Uganda, Tanzania, Burundi and Zaire will also be contributing to CIAT's efforts to provide Rwandan farmers with bean seeds. The 200 tonnes are expected to supply about one-quarter of the farms in Rwanda with one kilogramme of seeds each.

# Indian government red-faced over sugar crisis

## Kunal Bose reports on a supply shortage that is being blamed on 'import bungling'

The failure of the Indian food ministry to recognise in time the extent of shortfall in sugar production in the current season and arrange sufficient imports has snowballed into a major political crisis for the federal government.

The opposition parties, which are putting pressure on the government to institute an independent enquiry into the "sugar import bungling", will no doubt take advantage of the issue during assembly elections in the nine states at the end of the year.

It was known quite early in the season that India would for the second consecutive year suffer a heavy setback in sugar production. The initial production estimate of 11m (repeat 11m) tonnes for 1993-94 has been scaled down to 9.8m tonnes. According to industry officials, however, the season may end with still lower output.

The current year's production, plus opening stocks of 3.2m tonnes, will hardly leave any sugar to be carried forward to next season after meeting the domestic requirement of over 12m tonnes. And as there is negligible production of sugar in the first two months of the season, India cannot do without large-scale imports.

The prospect of shortage has led to a sharp increase in the open market sugar prices. (Under the distribution control mechanism, 60 per cent of the industry's production is sold in the open market. The balance 40 per cent is distributed through fair price shops at fixed rates.)

Even then, it was only on March 9 that the government allowed the duty-free import of sugar. Earlier, however, the government allowed the import of raw sugar for refining by the local factories for re-export at a minimum value addition of 7.5 per cent.

In the beginning, the Indian Sugar & General Industry Exim Corporation, the industry's trading arm, and some private parties were making imports. At a much later stage, at the intervention of Mr Narasimha Rao, the prime minister, government trading agencies like the State Trading Corporation and Minerals & Metals Trading Corporation started making import contracts.

Procrastination by the government about directing its trading agencies to import sugar has given opposition parties a weapon to use against it. Mr Kalpnath Rai, the food minister and the opposition's main target, caused a major surprise when he barred the Food Corporation of India from signing import contracts for 600,000 tonnes of sugar on the grounds that the agency lacked experience in trading.

Import contracts made by STC and MMTC are, however, at much higher prices than the offers FCI received. This is because STC and MMTC had entered the market later. According to commerce ministry sources, India had so far signed import contracts for 1.14m tonnes of sugar, including 535,000 tonnes by STC and MMTC.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1399.5-401.5 | 1427-7.5 |
| Previous | 1403 | 1432/1398 |
| High/low | 1403/1404 | 1432/1434 |
| AM Official | 1403-4 | 1423-4 |
| Kerb close | | 1426-27 |
| Open int. | 262,788 | |
| Total daily turnover | 143,628 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1415-20 | 1420-5 |
| Previous | 1400-10 | 1405-10 |
| High/low | - | 1420/1410 |
| AM Official | 1425-30 | 1422-3 |
| Kerb close | | 1420-30 |
| Open int. | 3,229 | |
| Total daily turnover | 818 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 529-35 | 5700-10 |
| Previous | 523-4 | 540-40.5 |
| High/low | 530 | 547/541 |
| AM Official | 529-30 | 546-6.5 |
| Kerb close | | 545-6 |
| Open int. | 37,742 | |
| Total daily turnover | 14,476 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6375-85 | 6475-80 |
| Previous | 6420-30 | 6510-20 |
| High/low | 6435/6430 | 6585/6445 |
| AM Official | 6415-20 | 6535-40 |
| Kerb close | | 6455-60 |
| Open int. | 58,359 | |
| Total daily turnover | 19,148 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5625-35 | 5700-10 |
| Previous | 5610-20 | 5685-90 |
| High/low | 5645 | 5720/5690 |
| AM Official | 5540-41 | 5720-5 |
| Kerb close | | 5690-700 |
| Open int. | 16,886 | |
| Total daily turnover | 6,232 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 968-9 | 992-2.5 |
| Previous | 968-9 | 991-2 |
| High/low | 972 | 989/990 |
| AM Official | 971-1.5 | 985-6 |
| Kerb close | | 989-9.5 |
| Open int. | 103,397 | |
| Total daily turnover | 37,199 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2397-8 | 2411.5-12.0 |
| Previous | 2371-3 | 2383-5 |
| High/low | 2405 | 2425/2375 |
| AM Official | 2405-5.5 | 2418-9 |
| Kerb close | | 2420-1 |
| Open int. | 218,799 | |
| Total daily turnover | 105,815 | |

■ LME AM Official £/$ rate: 1.5134

LME Closing £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX)

| | Day's close | change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 382.50-383.00 | |
| Opening | 382.30-382.70 | |
| Morning fix | 382.50 | 252.876 |
| Afternoon fix | 382.60 | 252.209 |
| Day's High | 383.20-383.60 | |
| Day's Low | 382.20-382.00 | |
| Previous close | 383.30-383.70 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.98 | 6 months | 4.40 |
| 2 months | 4.05 | 12 months | 4.81 |
| 3 months | 4.13 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 351.80 | 532.50 |
| 3 months | [illegible] | [illegible] |
| 6 months | [illegible] | [illegible] |
| 1 year | [illegible] | [illegible] |
| Gold Coins | $ price | £ equiv. |
| Krugerrand | 387-390 | 256-259 |
| Maple Leaf | 393.90-396.30 | |
| New Sovereign | 91-94 | 60-63 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jun | 383.3 | -0.3 | 383.7 | 381.5 | 951 | 42 |
| Jul | 384.1 | -0.3 | - | - | - | - |
| [illegible] | | | | | | |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

| | Latest price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jun | 111.25 | -0.50 | 112.00 | 111.25 | 246 | 52 |
| Sep | 100.60 | +0.60 | 100.60 | 100.50 | 488 | 33 |
| [illegible] | | | | | | |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Nov | 90.0 | - | - | - | - | - |
| Mar | 105.0 | - | - | - | - | - |
| Apr | 147.0 | +7.2 | 148.0 | 140.0 | 737 | 191 |
| May | 140.0 | - | - | - | - | - |
| Jun | 107.5 | - | - | - | - | - |
| Total | | | | | 737 | 191 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jun | 1278 | +5 | 1280 | 1275 | 549 | 15 |
| Jul | 1183 | +6 | 1185 | 1180 | 932 | 24 |
| Aug | 1193 | +6 | 1195 | 1189 | 435 | 28 |
| Oct | 1279 | +2 | - | - | 213 | - |
| Jan | 1297 | - | 1297 | - | 83 | 3 |
| Apr | 1328 | +2 | - | - | 60 | - |
| Total | | | | | 2,430 | 70 |

| | Close | Prev |
|---|---|---|
| BFI | 1338 | 1344 |

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jul | 983 | +17 | 996 | 980 | 16,744 | 908 |
| Sep | 1016 | +21 | 1020 | 1002 | 18,483 | 1,902 |
| [illegible] | | | | | | |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COCOA (ICCO) (SDR's/tonne)

| | Price | Prev. day |
|---|---|---|
| 10 June | 1003.38 | 1017.50 |
| 10 day average | n/a | n/a |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COFFEE (ICO) (US cents/pound)

| | Price | Prev. day |
|---|---|---|
| 10 June | | |
| Comp. daily | [illegible] | [illegible] |
| 15 day average | [illegible] | [illegible] |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| Total | | | | | 24,802 | 998 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jul | 12.38 | -0.08 | 12.57 | 12.31 | 38,757 | 9,146 |
| Oct | 12.41 | -0.01 | 12.55 | 12.35 | 69,010 | 6,544 |
| Mar | 12.01 | +0.02 | 12.09 | 11.97 | 26,798 | 1,503 |
| May | 11.99 | +0.05 | 12.06 | 11.95 | 4,068 | 360 |
| Jul | 11.95 | +0.05 | - | - | 1,526 | 34 |
| Oct | 11.88 | +0.05 | 11.88 | 11.86 | 729 | 11 |
| Total | | | | | 138,925 | 17,598 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jul | 80.20 | +0.40 | 80.60 | 79.65 | 11,365 | 3,524 |
| Oct | 77.65 | -0.01 | 77.90 | 76.90 | 7 | 8 |
| Dec | 76.85 | +0.17 | 77.15 | 76.00 | 6,595 | 771 |
| Mar | 77.70 | +0.16 | 78.00 | 76.95 | 27,456 | 4,725 |
| May | 78.25 | +0.28 | 78.25 | 77.30 | 3,379 | 157 |
| Jul | 78.55 | +0.30 | 78.70 | 77.57 | 1,799 | 52 |
| Total | | | | | 51,165 | 8,328 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jul | 95.25 | +0.85 | 95.90 | 94.80 | 8,414 | 579 |
| Sep | 97.70 | +0.75 | 98.55 | 97.10 | 8,320 | 731 |
| Nov | 99.35 | +0.70 | 100.10 | 99.00 | 1,721 | 116 |
| Jan | 101.75 | +0.80 | 101.75 | 100.60 | 3,018 | 197 |
| Mar | 103.75 | +1.55 | 103.75 | 102.50 | 1,127 | 35 |
| May | 106.00 | +1.00 | 106.00 | - | 47 | 17 |
| Total | | | | | 22,659 | 1,676 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jun | 65.625 | +0.100 | 66.325 | 65.450 | 8,188 | 2,647 |
| Aug | 64.700 | -0.075 | 65.625 | 64.450 | 29,978 | 8,713 |
| [illegible] | | | | | | |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jun | 48.525 | +0.500 | 48.525 | 47.200 | 2,151 | 1,230 |
| Jul | 48.300 | +0.925 | 48.550 | 47.450 | 9,531 | 2,931 |
| Aug | 48.225 | +0.000 | 48.400 | 47.250 | 8,653 | 2,062 |
| Oct | 44.675 | +0.675 | 44.925 | 44.100 | 4,430 | 521 |
| Dec | 44.900 | +0.275 | 44.925 | 44.550 | 3,228 | 280 |
| Feb | 44.500 | +0.200 | 44.700 | 44.300 | 810 | 58 |
| Total | | | | | 28,507 | 7,120 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| Jul | 42.075 | -0.175 | 42.650 | 41.775 | 4,074 | 1,661 |
| Aug | 41.350 | +0.225 | 41.750 | 40.900 | 3,564 | 962 |
| Feb | 47.750 | -0.450 | 48.400 | 47.650 | 488 | 45 |
| Mar | 46.950 | -0.550 | - | 46.950 | 37 | 4 |
| May | 49.950 | - | - | - | 33 | 3 |
| Jul | 50.200 | - | - | - | 12 | 2 |
| Total | | | | | 8,180 | 2,671 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Aug | Nov | Aug | Nov |
| 1375 | 65 | 102 | 20 | 14 |
| 1425 | 37 | 74 | 42 | 55 |
| 1475 | 19 | 51 | 73 | 81 |
| ■ COPPER (Grade A) LME | Aug | Nov | Aug | Nov |
| 2350 | 117 | 130 | 44 | 94 |
| 2400 | 88 | 106 | 65 | 119 |
| 2450 | 64 | 85 | 91 | 147 |
| ■ COFFEE LCE | Jul | Sep | Jul | Sep |
| 2100 | 230 | 290 | 1 | 102 |
| 2150 | 181 | 260 | 2 | 122 |
| 2200 | 135 | 232 | 6 | 144 |
| ■ COCOA LCE | Jul | Sep | Jul | Sep |
| 950 | 43 | 86 | - | 22 |
| 975 | 20 | 72 | 2 | 31 |
| 1000 | 5 | 58 | 12 | 42 |
| ■ BRENT CRUDE IPE | Aug | Sep | Aug | Sep |
| 1600 | 54 | 66 | 33 | - |
| 1650 | 33 | 31 | - | - |
| 1700 | 17 | 27 | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

| | | +or- |
|---|---|---|
| Dubai | $15.32-5.47w | -0.22 |
| Brent Blend (dated) | $16.20-6.24 | -0.24 |
| Brent Blend (Jul) | $16.32-6.36 | -0.22 |
| W.T.I. (1pm est) | $18.38-8.40w | -0.48 |

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $183-184 | -3 |
| Gas Oil | $148-149 | +0.5 |
| Heavy Fuel Oil | $81-83 | -1 |
| Naphtha | $155-157 | -0.5 |
| Jet Fuel | $160-161 | -0.5 |

*Petroleum Argus Estimates*

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $382.75 | -0.75 |
| Silver (per troy oz)♣ | 535.50c | -2.0 |
| Platinum (per troy oz.) | $399.00 | -0.60 |
| Palladium (per troy oz.) | $137.00 | +0.75 |
| Copper (US prod.) | 114.0c | |
| Lead (US prod.) | 36.88c | +1.88 |
| Tin (Kuala Lumpur) | 14.35m | |
| Tin (New York) | 260.50c | +1.00 |
| Zinc (US Prime W.) | Unq. | |
| Cattle (live weight)† | 127.32p | -1.22* |
| Sheep (live weight)†♣ | 113.61p | -4.78* |
| Pigs (live weight) | 83.02p | -5.23* |
| Lon. day sugar (raw) | $304.8 | +0.5 |
| Lon. day sugar (wte) | $360.0 | -1.3 |
| Tate & Lyle export | £314.0 | -1.0 |
| Barley (Eng. feed) | £104.5t | |
| Maize (US No3 Yellow) | $142.0 | +2.0 |
| Wheat (US Dark North) | £185.0 | +5.0 |
| Rubber (Jul)♥ | 77.25p | |
| Rubber (Aug)♥ | 77.25p | |
| Rubber(KL RSS No1 Jul) | 268.00m | +0.50 |
| Coconut Oil (Phil)§ | $622.5z | -2.5 |
| Palm Oil (Malay.)§ | $492.5q | |
| Copra (Phil)§ | $403.0 | |
| Soyabeans (US) | £194.0 | |
| Cotton Outlook A Index | 86.35c | -0.10 |
| Wooltops (64s Super) | 428p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. q Aug. t Oct/Dec z Jun/Jul. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

**Tea**

A very strong demand prevailed, reports the Tea Brokers' Association. Bright East Africans advanced 6 to 10 pence and sometimes more, while mediums were fully firm to dearer. Selected brighter Ceylons were well supported, plainer sorts were mainly easier. Offshore teas met selective demand. Brightest Africans met active support and moved dearer, others were irregular and sometimes easier. Brighter Ceylons were about steady but other types were easier where sold. Quotations: best available 250p/kg, nom good 165p/kg, good medium 142p/kg, medium 118p/kg and low medium 93p/kg. The highest price realised this week was 335p/kg for a Rwanda pd

**VOLUME DATA**

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| 13 June | 10 June | month ago | year ago |
|---|---|---|---|
| 2002.2 | 1992.3 | 1946.6 | 1646.9 |

■ CRB Futures (Base: 4/9/56=100)

| 9 June | 8 June | month ago | year ago |
|---|---|---|---|
| 232.88 | 231.67 | 226.61 | 203.29 |

## CROSSWORD

No.8,479 Set by QUARK

**ACROSS**

1, 9 Sound of rain on the roof, or a number of taps? (6-6)
4 Tree fern replanted without payment (4-4)
9 See 1 across
10 Senior gal (no name given) going round female quarters (8)
12 Sticky sweet? (8)
13 Stupid people – second rate (6)
15 Silver kept in church enclosure (4)
16 Spy with port, drunk, awkward to deal with (7)
20 Dish to fall in value in a small way (7)
21 This dog is top, we hear (4)
25 To carry too far the deliveries to the party (6)
26 Miss in a store abroad? (8)
28 Cleverly produced by painting (8)
29, 31 Violin – somehow faded about a pound? Nonsense! (6-6)
30 Perhaps the clock is not working (8)
31 See 29

**DOWN**

1 A little explosion with a clue (cryptic) for the masses (8)
2 Instruction of one taught about to get behind (8)
3 Call me up for a kind of medicine (6)
5 Not so many losing head in jug? (4)
6 Part of church leader of theology managed over a month (8)
7 Wave? Pitch is affected by it (6)
8 It goes to change a selfish person (6)
11 Wine with fish to play a part (7)
14 One to eject in a troublesome ball (7)
17 Expression of sympathy back ruled out (not English) (4,4)
18 Jogged on and took heed (8)
19 Language that is well documented (8)
22 The ethics of the exam in manuscript (6)
23 More suitable for a gambler? (6)
24 Firm fibre glass (6)
27 Factory with no time for the scheme (4)

Solution to Saturday's prize puzzle on Saturday June 25.
Solution to yesterday's prize puzzle on Monday June 27.

# LONDON STOCK EXCHANGE

MARKET REPORT

# Renewed bond market weakness hits shares

By Terry Byland,
UK Stock Market Editor

A re-emergence of inflation worries in the US and in Britain hit securities markets in London yesterday, overshadowing the outcome of the elections for the European parliament which were not far out of line with expectations. Although selling pressure on equities was only moderate, the stock market was undermined by a new round of substantial losses in British government bonds, themselves hurt by falls in German and US bond prices.

At the low point of the session, the FT-SE 100 Index was more than 45 points down and within 10 points of the 3,000 mark regained so recently and with such difficulty. A minor rally was held in check by a sluggish opening on Wall Street, where the Dow Average put on 7.45 points in UK trading hours. The final reading showed the FT-SE 100 at 3,016.3 for a drop on the day of 39.6.

Weakness in German bonds and in other European stock markets quickly halted an attempt by UK equities to extend Friday's advance. The result of UK voting in the European elections was regarded as negative for the stock market because it implied further uncertainty for Mr John Major's government and threatened to weaken its political resolve to resist inflation.

Inflation worry was also rekindled by the input pricing category of the UK domestic producer price index for May. Markets reacted swiftly to the UK Treasury comment that the 0.9 per cent increase in input prices had been "mainly" due to oil and commodity prices.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Jun 6 | Jun 20 | Jul 4 |
| Option Declarations: | | |
| Jun 16 | Jun 30 | Jul 14 |
| Last Dealings: | | |
| Jun 17 | Jul 1 | Jul 15 |
| Account Day: | | |
| Jun 27 | Jul 11 | Jul 25 |

*New time dealings may take place from two business days earlier.

This reminded analysts that commodity price pressures had been pinpointed as inflation threats by the US Federal Reserve. Unfortunately, German bond markets began to extend early losses after a member of the US Federal Reserve Board referred to "slight signs" of inflationary pressures in the US economy.

Inflation worries focused on prospects for the US consumer price statistics, due around noon today, European time. Some strategists raised their forecasts for US CPI growth, which had previously been for a rise of around 0.3 per cent.

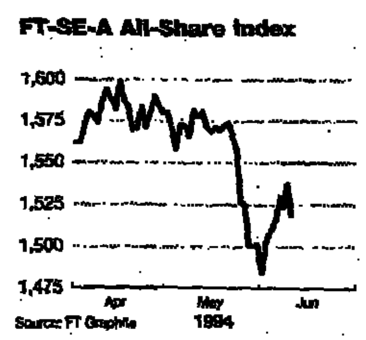
Concern over inflationary pressure also turned attention to other components of this week's heavy list of economic data. In Britain, statistics due tomorrow on retail prices, unemployment and industrial production coincide with data on average earnings, which will be scanned for signs of wage cost pressures; tomorrow evening, Mr Kenneth Clarke, the UK chancellor of the exchequer, will deliver an important speech in the City of London. However, comments yesterday afternoon from Mr John Major, the UK prime minister, on UK economic progress had little immediate impact in the stock market.

The reappearance of a discount on the Footsie futures contract reinforced selling pressures on the blue chip stocks. In the broader market the FT-SE Mid 250 Index closed 12.7 off at 3,595.8.

Seaq volume of 483.7m shares, although higher than on Friday, was at the low end of recent daily averages; the focus on the Footsie stocks left the non-Footsie issues to make up only about 52 per cent of the total. Friday's Seaq turnover of 416.4m shares was worth a respectable £1.26bn in retail business.

The renewed focus on bond markets proved a disappointment for a UK stock market which last week showed signs of having disengaged itself from the pressures suffered by fixed interest markets since the commencement of the year.

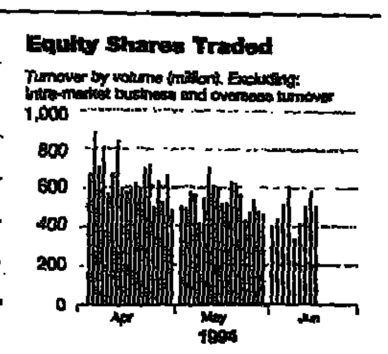
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




## Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 3016.3 | -39.6 | FT Ordinary Index | 2385.5 | -33.8 |
| FT-SE Mid 250 | 3595.8 | -12.7 | FT-SE-A Non Fins p/e | 19.41 | (19.60) |
| FT-SE-A 350 | 1527.6 | -16.6 | FT-SE 100 Fut Jun | 3011.0 | -34.0 |
| FT-SE-A All-Share | 1519.65 | -16.36 | 10 yr Gilt yield | 8.70 | (8.50) |
| FT-SE-A All-Share yield | 3.88 | (3.84) | Long gilt/equity yld ratio: | 2.27 | (2.24) |

**Best performing sectors**

1 Water ... +0.6
2 Electricity ... +0.4
3 Textiles & Apparel ... -0.3
4 FT-SE SmallCap ex IT ... -0.0
5 FT-SE SmallCap ... -0.1

**Worst performing sectors**

1 Tobacco ... -3.0
2 Telecommunications ... -2.3
3 Insurance ... -2.0
4 Media ... -1.6
5 Electronic & Elec Eqpt ... -1.5

# Waters find buyers

The utilities sectors accounted for most of the FT-SE 100's best performing stocks yesterday as institutions focused on the sectors' above-average yields and dividend potential.

Water shares, which have been left for dead by buoyant recs and generator areas recently, were the best performers, ahead of results this week from two of the sector's FT-SE 100 constituents, Severn Trent, due this morning, and Thames, scheduled for tomorrow.

Both companies are expected to post annual dividend increases of around 8 per cent. Severn Trent was the best individual performer in waters, closing 6 ahead at 526p. Thames edged forward a penny to 481p.

The recs' preliminary results season commences tomorrow, with London Electricity, which is forecast to increase its dividend total by more than 15 per cent.

Norweb, due to report on June 27, forged ahead 12 to 649p and Northern, which is reporting on June 29, put on the same amount at 692p.

## Lasmo edges up

The Enterprise Oil/Lasmo bid battle entered another crucial phase, with Lasmo shares creeping higher and those of Enterprise slipping back as the market responded to intense speculation in the weekend press that Enterprise will sweeten the terms of its bid by the end of the week.

Under UK Takeover Panel rules, Enterprise has until the end of this week to come up with a revised offer.

One oil sector specialist said no counter to the Enterprise bid was likely to emerge until Enterprise had made a final bid; "and it is by no means clear that another potential bidder is sniffing around, despite the heavy activity in the market late last week," the analyst said.

Enterprise shares fell 11 to 399p while Lasmo moved up 5½ to 147½p. Turnover in Lasmo was 4.7m shares.

## Barclays wanted

The strongest performance in the UK banking sector came from Barclays, which benefited from bouts of switching from a number of other UK banks but notably from National Westminster. The latter dipped to 453p, mainly reflecting the switching, but rallied to end unchanged at 459p.

Barclays, however, was well bid all day and settled 3 higher at 549p after good turnover of 4.7m shares. Sentiment was also driven by Mr Martin Taylor, Barclays' chief executive who, while on a trip to Japan, delivered a bullish message on the bank's current and future performance. He said the bank's profitability was recovering strongly.

Standard Chartered, the FT-SE 100's best performer last week and last month, following a series of broker buy recommendations and a forthcoming series of presentations to US institutions, attracted a minor flurry of profit-taking, closing 9 off at 266p with 3m shares traded. Two big trades in Standard shares at the close, a block of 9m and another of 5.2m shares, equivalent to 6 per cent of the company's issued capital, traded at 245p and were thought to have been bed and breakfast, or tax-related deals.

SG Warburg was a notable weak spot in the merchant banking sector, sliding 11 to 729p, with the market still nervous about the bank's exposure to big swings in bonds and equities across Europe.

In a recent note, Robert Fleming Securities said "unless market sentiment turns dramatically, the potential downside to the Warburg share price is still substantial."

The broker's merchant banks analyst Mr Rupert Fleming said "Warburg's long term trend of greater reliance on proprietary trading and marketmaking has implications for valuation; we believe Warburg should be de-rated towards premium US investment house ratings of eight times historic earnings, indicating a price of about 605p."

An increase in the dividend and a positive results meeting helped traders discount the 2.4 per cent decline in profits from distribution group Christian Salvesen. The shares firmed 8 to 255p.

Shares in channel tunnel operator Eurotunnel gave up 18 to 324p on rumours that several institutional investors were unwilling to take on the stock from the group's recent £816m rights issue. One market watcher said: "At this stage, it looks like SG Warburg (Eurotunnel's broker) will be left holding a large chunk of the issue." The offer closes on June 22.

Sentiment in the stock was further damaged by news of a breakdown of a test train in the tunnel last Saturday, due to an electrical short circuit.

Swiss Bank Corporation issued 5m call warrants in a basket of pharmaceutical stocks. The basket represents three Glaxo, down 11 to 549½p, one Wellcome, down 5¼ to 589p, one Zeneca, down 12 to 694p, and two SmithKline Beecham, down 3¼ to 398p. Swiss Bank said the underperformance of the sector in the past year, declining about 12 per cent against the FT-SE all-share, made it attractive.

Conglomerate Williams Holdings hardened 3 to 353p, in trade of 1.5m, with Kleinwort Benson reported to have recommended the stock.

Magazine publisher EMAP dropped 2 to 407p, after confirming it was in discussions with radio group Trans World Communications for a recommended offer. Businessman Mr Owen Oyston, who owns 22 per cent of Trans World, has agreed to sell at 181p-a-share, a price which was well received by analysts.

Chiltern Radio, which last week became the subject of an agreed bid of 242p-a-share from Luxembourg broadcaster CLT, rose 3 to 243p.

Rationalisation plans by Dixons involving the closure of 100 Currys stores were confirmed by the group. Although mooted in the market for some time, the news nevertheless hit the shares which fell 6 to 187p.

Among food manufacturers, yield considerations held up Hazlewood Foods, ahead 4 at 131p, and limited the damage to Dalgety, off a penny at 417p.

Details of the well-flagged rights issue from Euro Disney were finally announced; the 7-for-2 issue priced at FFr10 aims to raise FFr5.9bn. Euro Disney shares slumped 20 on the news, but rallied to close just 3 off at 380p.

Ladbroke shares were in demand, a combination of a rebound after recent weakness and featuring as part of a large programme trade. The group also announced the death of finance director and vice chairman Mr Jerry O'Mahony. The shares added 2 to 161p with turnover of 5m.

**MARKET REPORTERS:**
Steve Thompson,
Christopher Price,
Clare Gascoigne, Joel Kibazo.

■ Other statistics, Page 30

## NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (95).
BANKS (1) Toyo Tst. & Bnkg, DIVERSIFIED INDLS (1) Antofagasta, ELECTRNC & ELECT EQUP (4) Fujitsu, Mitsubishi Electric, NEC, Toshiba, ENGINEERING (1) Kobe Steel, ENG. VEHICLES (1) Boustead, EXTRACTIVE INDS (4) [illegible] HEALTH CARE [illegible] HOUSEHOLD GOODS (1) Osborne & Little, INVESTMENT TRUSTS (4) MEDIA (2) Chiltern Radio, Metro Radio, OIL, EXPLORATION & PROD (1) Aran Energy, SUPPORT SERVS (1) Hawtal Whiting, TEXTILES & APPAREL (2) Toray, Wensum, AMERICANS (1)
NEW LOWS (149).
GILTS (5) OTHER FIXED INTEREST (10) BANKS (2) ANZ, Natl. Australia, BREWERIES (1) Fosters, BUILDING & CNSTRN (4) Bellway, Jarvis, Keller, Taylor Woodrow, BLDG MATLS & MCHTS (2) Sheffield Ins, Titon, DISTRIBUTORS (1) Inchcape, DIVERSIFIED INDLS (3) Bibby (J.), Pacific Dunlop, Unicorn, ELECTRNC & ELECT EQUP (2) Dale Elect., Johnson Elect., ENGINEERING (5) Bromsgrove Inds., Hall Eng., Hunting, Rubicon, VSEL, ENG. VEHICLES (1) Daimler-Benz, EXTRACTIVE INDS (4) FOOD MANUF (3) Assoc. Brit. Foods, Cadbury Schweppes, Usborne, GAS DISTRIBUTION (1) Calor, HEALTH CARE (1) Nestor-BNA, HOUSEHOLD GOODS (1) Reckitt & Colman, INSURANCE (5) Commercial Union, HCG Lloyds Inv Tst, Hibernian, Skandia, Willis Corroon, INVESTMENT TRUSTS (35) INVESTMENT COMPANIES (8) LEISURE & HOTELS (1) Magnolia, LIFE ASSURANCE (1) Britannic, MEDIA (5) Harrington Kilbride, More O'Ferrall, Scottish TV, SelecTV, Trinity, OIL, INTEGRATED (1) Mobil, OTHER FINANCIAL (1) Rathbone Bros., OTHER SERVS & BUSNS (1) Cape Range, PRTNG, PAPER & PACKG (1) Repola, PROPERTY (8) RETAILERS, FOOD (4) Brake Bros., Cullen's, Dairy Farm, Shoprite, RETAILERS, GENERAL (3) DFS Furniture, MFI Furniture, Sothebys Class A, SPIRITS, WINES & CIDERS (1) Grand Met., SUPPORT SERVS (5) Capita, Chubb Security, Holmes Protection, Macro 4, Virtuality, TEXTILES & APPAREL (6) Brit Mohair, Castle Mill, Honeysuckle, Leslie Wise, Richards, Sirdar, TRANSPORT (1) Ocean, AMERICANS (3) CANADIANS (8)

## EQUITY FUTURES AND OPTIONS TRADING

Strong US selling, technical trading and the weakness in other European markets together brought a sharp decline to stock index futures, writes Joel Kibazo.

In its last week of trading, the June contract on the FT-SE 100 opened at 3,043. However, this was at a 16-point discount to cash, and together with active selling by a leading US broker, June fell steeply, pulling the underlying cash market lower.

Attempts at a rally petered out as dealers reflected on the poor performance in European bond markets and carried out technical trading ahead of the contract's expiry on Friday.

The tentative start on Wall Street led to a further fall in the June contract and it touched a day's low of 2,991 at around 3pm when it was trading at a 24-point discount to cash.

Bargain hunting late in the session helped the contract steady and it closed at 3,011, down 34 from its previous finish and at a 4-point discount to cash. Volume, at 18,722 lots, was healthy.

Turnover in traded options was modest, with a mere 22,252 contracts dealt, against Friday's 38,042. The FT-SE 100 option saw business of 12,190 lots and the Euro FT-SE option 2,562 contracts. Tarmac was the most active stock option at 1,025 lots traded, followed by National Power at 901 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3043.0 | 3011.0 | -34.0 | 3045.0 | 2991.5 | 18722 | 35320 |
| Sep | 3052.0 | 3025.5 | -35.0 | 3054.0 | 3008.0 | 4297 | 26709 |
| Dec | | 3033.0 | -34.0 | | | 0 | 752 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

[illegible]

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

[illegible]

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3016) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

## FT-SE Actuaries Share Indices — The UK Series

| | Jun 13 | Day's chge% | Jun 10 | Jun 9 | Jun 8 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3016.3 | -1.3 | 3055.9 | 3028.9 | 3038.2 | 2885.5 | 4.10 | 6.89 | 17.30 | 48.83 | 1126.20 |
| FT-SE Mid 250 | 3595.8 | -0.4 | 3608.5 | 3599.3 | 3600.8 | 3213.2 | 3.46 | 5.71 | 21.24 | 44.05 | 1322.49 |
| [illegible] | | | | | | | | | | | |

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

## TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| ASDA Group† | 4,800 | 58 | -¼ |
| Abbey National† | 2,100 | 427 | -2½ |
| Albert Fisher | 138 | 54 | |
| Allied-Lyons† | 896 | 588 | -4 |
| Anglian Water | 1,400 | 503 | +1 |
| Argos | 1,500 | 348 | -2 |
| Argyll Group† | 2,500 | 246 | -1½ |
| Arjo Wiggins† | 1,700 | 273 | -3 |
| [illegible] | | | |

# LONDON EQUITIES

## LIFFE EQUITY OPTIONS

| Option | | Calls Jul | Oct | Jan | Puts Jul | Oct | Jan |
|---|---|---|---|---|---|---|---|
| Allied-Lyons | 540 | 36½ | 51½ | - | 8 | 16½ | - |
| (*565) | 580 | 11 | 26 | - | 32 | 41 | - |
| [illegible] | | | | | | | |

| Option | | Calls Aug | Nov | Feb | Puts Aug | Nov | Feb |
|---|---|---|---|---|---|---|---|
| Hanson | 240 | 17½ | 22 | 25 | 4½ | 9 | 13 |
| (*250) | 260 | 6½ | 12 | 15½ | 14 | 19½ | 23 |
| [illegible] | | | | | | | |

## FT GOLD MINES INDEX

[illegible]

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 0 | 69 | 3 |
| Other Fixed Interest | 0 | 13 | 2 |
| Mineral Extraction | 25 | 91 | 84 |
| General Manufacturers | 75 | 158 | 429 |
| Consumer Goods | 15 | 55 | 121 |
| [illegible] | | | |

Data based on those companies listed on the London Share Service.

## TRADITIONAL OPTIONS

[illegible]

## LONDON RECENT ISSUES: EQUITIES

[illegible]

## RIGHTS OFFERS

[illegible]

## FINANCIAL TIMES EQUITY INDICES

[illegible]

## LONDON SHARE SERVICE

### BANKS

| | Notes | Price | + or – | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Abbey National | | 427 | –2½ | [illegible] | 361 | [illegible] | 4.1 | 14.4 |
| Allied Irish | | 248 | — | 314 | 240 | 1,[illegible] | 5.1 | 9.5 |
| Anglo Irish | | [illegible] | +1 | [illegible] | 50 | 178.9 | 8.3 | 9.5 |
| Asahi Y | | 715 | [illegible] | [illegible] | 628 | [illegible] | 0.8 | ϕ |
| Banco Bil Viz Pta | | [illegible] | [illegible] | [illegible] | [illegible] | 3,[illegible] | 6.3 | 6.9 |
| Banco Sant Pta | | [illegible] | — | [illegible] | [illegible] | 4,222 | 4.9 | ϕ |
| Bk Ireland | | [illegible] | — | [illegible] | 245 | 1,248 | 4.7 | ϕ |
| Bank Scotland | | [illegible] | –3½ | 247 | 172½ | 2,149 | 3.4 | 15.1 |
| 9¼pc Pf | | 115½ | –1 | 141½ | 114½ | [illegible] | 10.6 | — |
| 9¾pc Pf | | 128¾ | –1¼ | 149½ | 118¾ | 120.8 | 10.1 | — |
| Barclays | | 549 | +3 | 649 | 487 | 8,[illegible] | 3.4 | 22.7 |
| Dai Ichi Kan Y | | £12[illegible] | [illegible] | £12[illegible] | £10[illegible] | [illegible] | 0.4 | 70.2 |
| Deutsche DM | | [illegible] | [illegible] | [illegible] | [illegible] | 14,[illegible] | 2.0 | — |
| Espirito Santo | | £19¾ | [illegible] | [illegible] | £18¾ | 205.9 | 4.2 | 4.6 |
| First Nat Fin | | 76 | — | [illegible] | 68 | 126.1 | 2.5 | — |
| 6.3pc Cv Pf | | [illegible] | — | [illegible] | 77 | [illegible] | 8.8 | — |
| 7pc Cv Pf | | 140xd | — | 171 | 123 | [illegible] | 8.2 | — |
| Fuji Bank Y | | 1508½ | +13 | 1549¼ | 1152½ | 43,617 | 0.4 | ϕ |
| HSBC HK | | 709 | –18 | 1133 | 687 | 12,497 | 4.1 | 12.2 |
| HSBC (75p Shs) | | 691 | –15 | 1113 | 656 | 5,[illegible] | 4.3 | 11.9 |
| Lloyds | | 575 | +2 | 660 | 530 | 7,430 | 4.8 | 12.2 |
| Mitsubishi Y | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 0.3 | ϕ |
| Mits Tst & Bk Y | | 1149 | –12½ | 1162¼ | 687½ | 14,961 | 0.4 | 18.4 |
| Mitsui Tst & Bk Y | | 880 | +5 | 879 | 514 | 10,305 | 0.5 | 29.3 |
| Nat Aust A$ | | [illegible] | –2 | [illegible] | [illegible] | 7,208 | 4.5 | 12.8 |
| NatWest | | 489 | — | 622 | 421 | 7,[illegible] | 5.0 | 10.5 |

### BREWERIES

### BUILDING & CONSTRUCTION

### BUILDING MATS. & MERCHANTS

### CHEMICALS

### DISTRIBUTORS

### DIVERSIFIED INDUSTRIALS

### ELECTRICITY

### ELECTRONIC & ELECTRICAL EQPT

### ELECTRONIC & ELECTRICAL EQPT - Cont.

### ENGINEERING

### ENGINEERING, VEHICLES

### EXTRACTIVE INDUSTRIES

### FOOD MANUFACTURERS

### GAS DISTRIBUTION

### HEALTH CARE

### HOUSEHOLD GOODS

### INSURANCE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

## INVESTMENT TRUSTS - Cont.

[illegible]

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LEISURE & HOTELS - Cont.

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MERCHANT BANKS

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER SERVICES & BUSINESSES

[illegible]

## PHARMACEUTICALS

[illegible]

## PRINTING, PAPER & PACKAGING

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Cont.

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## SPIRITS, WINES & CIDERS

[illegible]

## SUPPORT SERVICES

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT - Cont.

[illegible]

## WATER

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

## SOUTH AFRICANS

[illegible]

## GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT7285. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group

Family Assurance Friendly Society Ltd

Ideal Benefit Society

M & G Life and M & G Pensions - Contd.

Norwich Union Life Insurance Soc.

Prudential Corporate Pension Funds - Contd.

Friends Provident

Century Life Plc

## OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Barings Investment Mngmt Ltd

## INSURANCES

AIG Life

AXA Equity & Law Life Assce

Abbey National Life Plc

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

City of Westminster Assurance

Clerical Medical

General Accident

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Legal & General

London & Manchester Assurance

Mercury Life Assurance Co Ltd

N & P Life Assurance Ltd

National Mutual Life

Pearl Assurance (Unit Funds) Ltd

Prosperity Life Assurance Ltd

Provident Life Assurance Ltd

Prudential Assurance Co

Royal Life Insurance Ltd

Scottish Amicable

Scottish Equitable

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

[illegible]

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

[illegible]

Sun Alliance Group - Contd.

[illegible]

## OFFSHORE INSURANCES

[illegible]

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

[illegible]

## GUERNSEY (SIB RECOGNISED)

[illegible]

## GUERNSEY (REGULATED)(**)

[illegible]

## IRELAND (SIB RECOGNISED)

[illegible]

## IRELAND (REGULATED)(**)

[illegible]

## ISLE OF MAN (SIB RECOGNISED)

[illegible]

## ISLE OF MAN (REGULATED)(**)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)(**)

[illegible]

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Schroder Mngt Services (Jersey) Ltd** | | | | |
| Greece Fd Ltd Jun 8 | $18.18 | 19.46 | — | – |
| **Schroder Money Funds Ltd** | | | | |
| Sterling | | | — | 3.89 |
| US $ | | | — | |
| D-Mark | | | — | |
| Swiss franc | | | — | 4.15 |
| Yen | | | — | 0.92 |
| **Seringapatam Kemp-Gee Mngmt., Jersey** | | | | |
| SKG Capital Fund | £5.875 | 6.048 | — | – |
| SKG Income Fund | 20.022 | | — | 8.98 |
| **TSB Trust Funds (CI)** | | | | |
| TSB Jsy Equity Fd | 55.4 | 59.3 | — | 1.85 |
| **Warburg Asset Management Jersey Ltd** | | | | |

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Fleming Group - Contd.** | | | | | | |
| £ Class | | £- | | | | 4.50 |
| DM Class | | DM- | | 17.223 | | |
| US$ Class | | $- | | 10.448 | | |
| FFr Class | | FFr- | | 59.597 | | 5.30 |
| **Foreign & Colonial Emerging Markets Ltd (u)** | | | | | | |
| Exchange Ho, Primrose St, Ldn, EC2A 2NY 071-628 1234 | | | | | | |
| **Frontrunner I (u)** | | | | | | |
| 572 rue de Neudorf, Luxembourg 010 352 43887350 | | | | | | |
| **S.G. Warburg Asset Mngmt Lux SA** | | | | | | |
| 14, Rue Leon Thyes, L-2636 Lux 010 352 421211 | | | | | | |

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Wellington Fd Mngrs (Bermuda) Ltd** | | | | |
| Intl Growth Fd | $18.13 | 18.93 | — | – |
| **Wells Fargo U.S. IT Fund** | | | | |
| **Worldwide Limited** | | | | |
| NAV Mar 31 | | | — | – |
| **Xiphias International Investment Fd Ltd** | | | | |
| **Yamaichi Capital Management (Guernsey) Ltd** | | | | |
| Thai Inv Fund | | | — | – |

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). Offered price includes all expenses except agent's commission. Previous day's price. Guernsey gross. Suspended. Yield before Jersey tax. Ex-subdivision. Only available to charitable bodies. Yield column shows annualised rates of NAV increase, not as dividend.
(**) Funds not SIB recognised. The regulatory authorities for these funds are Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

# CURRENCIES AND MONEY

## MARKETS REPORT

# Dollar in retreat

D-Mark strength following Chancellor Helmut Kohl's success in the European elections on Sunday and dollar weakness caused by fears of rising US inflation characterised the foreign exchange markets yesterday, *writes Graham Bowley.*

The success of Germany's ruling Christian Democratic Union was seen partly as lifting the political risk that has weighed on the D-Mark and as a sign of voter confidence that the domestic economic recovery is gaining strength.

The D-Mark strengthened against the dollar in early trade. But later comments from US Federal Reserve Board member Susan Phillips that there were slight signs of inflationary pressures developing in the US and remarks by US Treasury officials about trade negotiations with Japan further unnerved the markets and precipitated a dollar slide.

In the UK, the Conservative party's dismal performance in the European elections had largely been anticipated and had little overall impact on sterling.

■ The dollar stabilised in late trading after earlier weakness following comments by Mr Lloyd Bentsen, US Treasury Secretary.

He said intervention last month showed Washington was not trying to devalue the dollar to gain access to Japan's markets. "It (is) not in our interest to try to work our way into the market by devaluing the dollar," he said.

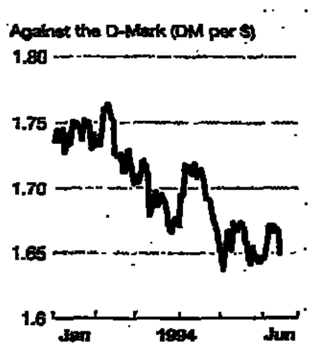
But analysts doubted whether Mr Bentsen's remarks would offset new scepticism about US inflation. The remarks by Ms Phillips, following adverse producer price data last Friday, provided the catalyst for a more sombre mood.

"Her comments are in line with the general US authorities' view that there are risks that inflation will rise but that it is currently subdued. Nevertheless, the dollar began to test the downside after her remarks," said Mr Adrian Cunningham, an economist at UBS.

"The slow grind downwards of the dollar against the D-Mark continues," said Mr Avinash Persaud of JP Morgan in London. "The markets have woken up to the inflation threat posed in recent data and elsewhere. There is scope for one last final fling downwards until the Federal Reserve tightens and the dollar stabilises."

**Dollar**

Against the D-Mark (DM per $)




Source: FT Graphite

■ **Pound in New York**

| Jun 13 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5215 | 1.5090 |
| 1 mth | 1.5207 | 1.5082 |
| 3 mth | 1.5194 | 1.5069 |
| 1 yr | 1.5137 | 1.5013 |

Comments by Mr Robert Rubin, the White House chief economic adviser, further undermined the dollar. He said the US was not backing away from its objectives of opening up Japan's markets to more imports and bringing down its trade surplus.

"Kohl's success and these very unhelpful remarks have given the market an excuse to test the downside of the dollar," said Mr Robin Marshall, chief economist at Chase Investment Bank.

Analysts said that investors were also cautious ahead of today's US consumer prices and retail sales data. The dollar closed yesterday at DM1.65, down from DM1.6672 on Friday and at Y103.145 against Y103.915.

■ The D-Mark's strength followed the German CDU's victory in the European elections.

"There is a feeling that the worst is over and that the economy will emerge strongly from the recession," said Mr Persaud. "As confidence grows further the gains will be maintained and the D-Mark will remain supported."

But Mr Cunningham said: "When the market starts to focus on the probability that the Bundesbank will continue to cut interest rates, we will start to see the D-Mark giving up some of its gains."

Yesterday, Bundesbank council member Hans-Jurgen Krupp said he was "quite sure" that there would be "a further cut" in the official repurchase, or repo, rate in Germany.

■ The pound was hit by the general strength of the D-Mark and the outcome of the European elections, although it did find support from the fact that the Conservative government's performance was not as bad as had initially been expected.

The British currency largely shrugged off producer price data for May. This showed a subdued 0.1 per cent rise in output prices in May, but a worryingly large jump of 0.9 per cent in input prices.

The pound lost just under a pfennig yesterday to close at DM2.5061 in London against DM2.5142 on Friday and gained about a cent to $1.5185 from $1.5080.

In the futures market, the December short sterling contract closed at 93.67 from 93.79, thus discounting short-term interest rates about a percentage point higher than the present 5.25 per cent by the end of the year.

In the UK money markets, the Bank of England intervened to sell £401m of Treasury bills due June 17 at 4$\frac{3}{16}$ per cent to 4$\frac{13}{16}$ per cent after forecasting a surplus of £400m. Overnight money traded between 4¾ per cent and 3½ per cent.

■ The French franc was subdued, largely as a result of D-Mark strength but also due to the poor performance of the ruling Balladur government in the European elections.

■ The Italian lira benefitted from the success of the Berlusconi government in the elections.

■ **OTHER CURRENCIES**

| Jun 13 | £ | $ |
|---|---|---|
| Hungary | 157.164 - 157.399 | 103.500 - 103.600 |
| Iran | 2629.00 - 2636.00 | 1748.00 - 1750.00 |
| Kuwait | 0.4516 - 0.4526 | 0.2974 - 0.2979 |
| Poland | 34333.2 - 34398.9 | 22610.0 - 22640.0 |
| Russia | 2957.30 - 2966.41 | 1947.00 - 1953.00 |
| U.A.E. | 5.5784 - 5.5897 | 3.6715 - 3.6735 |

## POUND SPOT FORWARD AGAINST THE POUND

| Jun 13 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.6314 | -0.0311 | 230 - 398 | 17.6880 | 17.6053 | 17.6276 | 0.3 | 17.622 | 0.2 | - | - | 113.9 |
| Belgium | (BFr) | 51.5834 | -0.1742 | 500 - 167 | 51.7440 | 51.5240 | 51.5734 | 0.2 | 51.6184 | -0.3 | 51.4784 | 0.2 | 115.1 |
| Denmark | (DKr) | 9.8050 | -0.0103 | 998 - 101 | 9.8188 | 9.7792 | 9.8127 | -0.9 | 9.8265 | -0.9 | 9.8408 | -0.4 | 115.6 |
| Finland | (FM) | 8.3494 | +0.0065 | 396 - 592 | 8.3592 | 8.2950 | - | - | - | - | - | - | 80.3 |
| France | (FFr) | 8.5480 | -0.0039 | 438 - 521 | 8.5572 | 8.5288 | 8.5523 | -0.6 | 8.557 | -0.4 | 8.5309 | 0.2 | 108.5 |
| Germany | (DM) | 2.5061 | -0.0081 | 051 - 071 | 2.5164 | 2.5020 | 2.5063 | -0.1 | 2.5056 | 0.1 | 2.488 | 0.7 | 123.6 |
| Greece | (Dr) | 377.523 | -0.458 | 044 - 002 | 378.026 | 368.902 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0273 | +0.0006 | 263 - 282 | 1.0287 | 1.0232 | 1.0278 | -0.3 | 1.0285 | -0.4 | 1.0291 | -0.2 | 104.0 |
| Italy | (L) | 2420.45 | +43.83 | 897 - 192 | 2427.98 | 2417.70 | 2425.55 | -2.5 | 2436 | -2.6 | 2470.90 | -2.1 | 77.7 |
| Luxembourg | (LFr) | 51.5834 | -0.1742 | 500 - 167 | 51.7440 | 51.5240 | 51.5734 | 0.2 | 51.6184 | -0.3 | 51.4784 | 0.2 | 115.1 |
| Netherlands | (Fl) | 2.8092 | -0.0081 | 077 - 107 | 2.8171 | 2.8056 | 2.809 | 0.1 | 2.8097 | -0.1 | 2.7883 | 0.7 | 119.0 |
| Norway | (NKr) | 10.8717 | -0.0227 | 673 - 761 | 10.9076 | 10.8516 | 10.8661 | 0.6 | 10.8786 | -0.3 | 10.8698 | 0.0 | 85.6 |
| Portugal | (Es) | 261.327 | -1.065 | 106 - 548 | 262.685 | 261.106 | 262.302 | -4.5 | 264.247 | -4.5 | - | - | - |
| Spain | (Pta) | 205.773 | +0.119 | 605 - 941 | 205.986 | 205.457 | 206.258 | -2.8 | 207.163 | -2.7 | 209.823 | -2.0 | 85.1 |
| Sweden | (SKr) | 11.9833 | +0.0477 | 744 - 921 | 11.9921 | 11.8808 | 12.0063 | -2.3 | 12.0413 | -1.9 | 12.1393 | -1.3 | 74.9 |
| Switzerland | (SFr) | 2.1181 | -0.005 | 168 - 194 | 2.1261 | 2.1155 | 2.1168 | 0.8 | 2.1142 | 0.7 | 2.091 | 1.3 | 118.5 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 80.4 |
| Ecu | - | 1.2995 | -0.0024 | 989 - 001 | 1.3037 | 1.2976 | 1.3005 | -0.9 | 1.2989 | 0.8 | 1.2963 | 0.1 | - |
| SDR | - | 0.938334 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5161 | +0.0108 | 158 - 166 | 1.5165 | 1.5061 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 3276.53 | +80.73 | 566 - 740 | 3277.40 | 3197.00 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.0971 | +0.0262 | 961 - 980 | 2.0980 | 2.0746 | 2.0986 | -0.8 | 2.1022 | -1.0 | 2.1194 | -1.1 | 86.6 |
| Mexico | (New Peso) | 5.1180 | +0.0609 | 128 - 231 | 5.1231 | 5.0741 | - | - | - | - | - | - | - |
| USA | ($) | 1.5189 | +0.0109 | 185 - 193 | 1.5193 | 1.5088 | 1.5181 | 0.6 | 1.5169 | 0.5 | 1.5116 | 0.5 | 65.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0640 | +0.0113 | 632 - 648 | 2.0648 | 2.0465 | 2.0633 | 0.4 | 2.0617 | 0.4 | 2.0606 | 0.2 | - |
| Hong Kong | (HK$) | 11.7521 | +0.0836 | 478 - 563 | 11.7583 | 11.6728 | 11.744 | 0.8 | 11.7402 | 0.4 | 11.767 | -0.1 | - |
| India | (Rs) | 47.6479 | +0.3457 | 315 - 642 | 47.6642 | 47.3310 | - | - | - | - | - | - | - |
| Japan | (Y) | 156.667 | -0.037 | 588 - 746 | 156.850 | 156.230 | 156.292 | 2.9 | 155.477 | 3.0 | 151.417 | 3.4 | 186.6 |
| Malaysia | (M$) | 3.9373 | +0.0217 | 355 - 391 | 3.9391 | 3.9153 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.5794 | +0.018 | 772 - 816 | 2.5818 | 2.5568 | 2.5787 | 0.3 | 2.5822 | -0.4 | 2.5888 | -0.4 | - |
| Philippines | (Peso) | 41.1623 | +0.2954 | 477 - 769 | 41.4769 | 40.8477 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.6964 | +0.041 | 947 - 981 | 5.6981 | 5.6568 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3264 | +0.0136 | 254 - 274 | 2.3274 | 2.3118 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.4950 | +0.0326 | 924 - 976 | 5.4976 | 5.4662 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 7.2831 | +0.0673 | 660 - 002 | 7.3002 | 7.2347 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1225.68 | +9.83 | 528 - 608 | 1226.08 | 1217.01 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 41.1007 | +0.2927 | 823 - 191 | 41.1191 | 41.0623 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.2004 | +0.1988 | 751 - 256 | 38.2256 | 38.0120 | - | - | - | - | - | - | - |

†SDR rate for Jun 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jun 13 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.6080 | -0.1045 | 055 - 105 | 11.6930 | 11.6055 | 11.6155 | -0.8 | 11.619 | -0.4 | 11.5436 | 0.6 | 103.0 |
| Belgium | (BFr) | 33.9610 | -0.361 | 480 - 740 | 34.2500 | 33.9480 | 33.9885 | -1.0 | 34.031 | -0.8 | 34.056 | -0.3 | 104.3 |
| Denmark | (DKr) | 6.4553 | -0.0535 | 536 - 570 | 6.5011 | 6.4536 | 6.4638 | -1.5 | 6.4783 | -1.4 | 6.5103 | -0.9 | 104.2 |
| Finland | (FM) | 5.4970 | -0.0341 | 920 - 020 | 5.5231 | 5.4916 | 5.5012 | -0.9 | 5.5095 | -0.9 | 5.562 | -1.2 | 75.3 |
| France | (FFr) | 5.6278 | -0.0432 | 265 - 290 | 5.6670 | 5.6265 | 5.6339 | -1.3 | 5.6414 | -1.0 | 5.6118 | 0.3 | 104.9 |
| Germany | (D) | 1.6500 | -0.0172 | 497 - 502 | 1.6652 | 1.6497 | 1.651 | -0.7 | 1.6519 | -0.5 | 1.646 | 0.2 | 104.6 |
| Greece | (Dr) | 248.550 | -2.1 | 300 - 800 | 250.250 | 248.300 | 249.9 | -6.5 | 250.75 | -3.5 | 253.05 | -1.8 | 66.7 |
| Ireland | (I£) | 1.4786 | +0.0097 | 776 - 796 | 1.4800 | 1.4719 | 1.4774 | 1.0 | 1.4749 | 1.0 | 1.4686 | 0.7 | - |
| Italy | (L) | 1593.55 | -15.55 | 300 - 410 | 1607.00 | 1593.00 | 1597.75 | -3.2 | 1606 | -3.1 | 1634.6 | -2.6 | 78.1 |
| Luxembourg | (LFr) | 33.9610 | -0.361 | 480 - 740 | 34.2500 | 33.9480 | 33.9885 | -1.0 | 34.031 | -0.8 | 34.056 | -0.3 | 104.3 |
| Netherlands | (Fl) | 1.8495 | -0.0194 | 490 - 500 | 1.8654 | 1.8490 | 1.8506 | -0.7 | 1.8517 | -0.5 | 1.8453 | 0.2 | 104.0 |
| Norway | (NKr) | 7.1576 | -0.0668 | 566 - 586 | 7.2150 | 7.1566 | 7.1611 | -0.6 | 7.1711 | -0.8 | 7.1051 | 0.7 | 95.5 |
| Portugal | (Es) | 172.050 | -1.95 | 950 - 150 | 173.700 | 171.950 | 173.705 | -11.5 | 176.125 | -9.5 | 180.4 | -4.9 | 91.6 |
| Spain | (Pta) | 135.475 | -0.9 | 400 - 550 | 136.370 | 135.400 | 135.865 | -3.5 | 136.58 | -3.3 | 138.825 | -2.5 | 80.6 |
| Sweden | (SKr) | 7.8895 | -0.0254 | 857 - 932 | 7.9188 | 7.8488 | 7.907 | -2.7 | 7.9365 | -2.5 | 8.059 | -2.1 | 80.5 |
| Switzerland | (SFr) | 1.3945 | -0.0134 | 940 - 950 | 1.4090 | 1.3940 | 1.3946 | -0.1 | 1.3948 | -0.1 | 1.3833 | 0.8 | 104.8 |
| UK | (£) | 1.5189 | +0.0109 | 185 - 193 | 1.5193 | 1.5088 | 1.5181 | 0.6 | 1.5169 | 0.5 | 1.5116 | 0.5 | 89.1 |
| Ecu | - | 1.1689 | +0.0105 | 686 - 691 | 1.1691 | 1.1600 | 1.1674 | 1.5 | 1.165 | 1.3 | 1.1757 | -0.6 | - |
| SDR | - | 1.41238 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9982 | -0.0002 | 981 - 982 | 0.9984 | 0.9961 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 2157.18 | +37.95 | 717 - 718 | 2157.18 | 2157.16 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3807 | +0.0074 | 804 - 809 | 1.3822 | 1.3748 | 1.3824 | -1.5 | 1.3868 | -1.5 | 1.4022 | -1.6 | 83.8 |
| Mexico | (New Peso) | 3.3695 | +0.016 | 670 - 720 | 3.3720 | 3.3660 | 3.3705 | -0.4 | 3.3723 | -0.3 | 3.3797 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 100.0 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3589 | -0.0023 | 587 - 591 | 1.3594 | 1.3559 | 1.3592 | -0.3 | 1.3593 | -0.1 | 1.363 | -0.3 | 89.3 |
| Hong Kong | (HK$) | 7.7373 | -0.0005 | 365 - 380 | 7.7380 | 7.7365 | 7.7368 | 0.1 | 7.7393 | -0.1 | 7.7536 | -0.2 | - |
| India | (Rs) | 31.3700 | +0.0025 | 675 - 725 | 31.3725 | 31.3675 | 31.45 | -3.1 | 31.595 | -2.9 | - | - | - |
| Japan | (Y) | 103.145 | -0.77 | 120 - 170 | 103.700 | 103.120 | 102.95 | 2.3 | 102.5 | 2.5 | 100.16 | 2.9 | 147.1 |
| Malaysia | (M$) | 2.5922 | -0.0043 | 917 - 927 | 2.5970 | 2.5917 | 2.5847 | 3.5 | 2.5812 | 1.7 | 2.6122 | -0.8 | - |
| New Zealand | (NZ$) | 1.6962 | -0.0003 | 972 - 982 | 1.6992 | 1.6941 | 1.7 | -1.3 | 1.7046 | -1.5 | 1.7263 | -1.7 | - |
| Philippines | (Peso) | 27.1000 | - | 000 - 000 | 27.3000 | 26.9000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7504 | +0.0001 | 502 - 505 | 3.7506 | 3.7502 | 3.751 | -0.2 | 3.753 | -0.3 | 3.7657 | -0.4 | - |
| Singapore | (S$) | 1.5317 | -0.002 | 314 - 319 | 1.5336 | 1.5314 | 1.5309 | 0.6 | 1.5306 | 0.3 | 1.5327 | -0.1 | - |
| S Africa (Com.) | (R) | 3.6178 | -0.0045 | 170 - 185 | 3.6215 | 3.6170 | 3.6333 | -5.1 | 3.6616 | -4.8 | 3.7383 | -3.3 | - |
| S Africa (Fin.) | (R) | 4.7950 | +0.01 | 850 - 050 | 4.8050 | 4.7850 | 4.8287 | -8.4 | 4.8875 | -7.7 | - | - | - |
| South Korea | (Won) | 806.950 | +0.55 | 900 - 000 | 807.000 | 806.600 | 809.95 | -4.5 | 813.45 | -3.2 | 831.95 | -3.1 | - |
| Taiwan | (T$) | 27.0595 | -0.0015 | 545 - 645 | 27.0735 | 27.0545 | 27.0795 | -0.9 | 27.1195 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.1500 | -0.05 | 400 - 600 | 25.1900 | 25.1400 | 25.2225 | -3.5 | 25.35 | -3.2 | 25.83 | -2.7 | - |

†SDR rate for Jun 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 10. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| June 13 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.01 | 16.57 | 4.858 | 1.991 | 4692 | 5.446 | 21.07 | 506.6 | 399.0 | 23.23 | 4.106 | 1.939 | 4.066 | 2.945 | 303.8 | 2.518 |
| Denmark | (DKr) | 52.61 | 10 | 8.718 | 2.556 | 1.047 | 2468 | 2.865 | 11.09 | 266.5 | 209.9 | 12.22 | 2.160 | 1.020 | 2.139 | 1.549 | 159.8 | 1.325 |
| France | (FFr) | 60.34 | 11.47 | 10 | 2.932 | 1.201 | 2831 | 3.286 | 12.72 | 305.7 | 240.8 | 14.01 | 2.478 | 1.170 | 2.453 | 1.777 | 183.3 | 1.520 |
| Germany | (DM) | 20.58 | 3.913 | 3.411 | 1 | 0.410 | 965.7 | 1.121 | 4.338 | 104.3 | 82.12 | 4.781 | 0.845 | 0.399 | 0.837 | 0.606 | 62.53 | 0.518 |
| Ireland | (I£) | 50.22 | 9.547 | 8.323 | 2.440 | 1 | 2356 | 2.735 | 10.58 | 254.4 | 200.4 | 11.67 | 2.062 | 0.974 | 2.042 | 1.479 | 152.6 | 1.265 |
| Italy | (L) | 2.131 | 0.405 | 0.353 | 0.104 | 0.042 | 100. | 0.116 | 0.449 | 10.80 | 8.504 | 0.495 | 0.088 | 0.041 | 0.087 | 0.063 | 6.475 | 0.054 |
| Netherlands | (Fl) | 18.36 | 3.491 | 3.043 | 0.892 | 0.366 | 861.5 | 1 | 3.870 | 93.02 | 73.26 | 4.265 | 0.754 | 0.356 | 0.747 | 0.541 | 55.78 | 0.462 |
| Norway | (NKr) | 47.45 | 9.020 | 7.864 | 2.305 | 0.945 | 2226 | 2.584 | 10 | 240.4 | 189.3 | 11.02 | 1.948 | 0.920 | 1.929 | 1.397 | 144.2 | 1.195 |
| Portugal | (Es) | 19.74 | 3.752 | 3.271 | 0.959 | 0.393 | 926.1 | 1.075 | 4.160 | 100. | 78.76 | 4.585 | 0.811 | 0.383 | 0.803 | 0.581 | 59.97 | 0.497 |
| Spain | (Pta) | 25.06 | 4.764 | 4.154 | 1.218 | 0.499 | 1176 | 1.365 | 5.282 | 127.0 | 100. | 5.821 | 1.029 | 0.486 | 1.019 | 0.738 | 76.14 | 0.631 |
| Sweden | (SKr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | (SFr) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| UK | (£) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | (C$) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US | ($) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | (Y) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ecu | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

### EMS EUROPEAN CURRENCY UNIT RATES

| Jun 13 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.808628 | 0.791277 | +0.002766 | -2.15 | 6.82 | 14 |
| Netherlands | 2.19672 | 2.16677 | -0.00218 | -1.36 | 5.97 | - |
| Belgium | 40.2123 | 39.7833 | -0.0393 | -1.07 | 5.66 | 8 |
| Germany | 1.94964 | 1.93293 | -0.00152 | -0.86 | 5.43 | - |
| France | 6.53883 | 6.58984 | +0.00606 | 0.78 | 3.72 | -7 |
| Denmark | 7.43679 | 7.56283 | +0.00643 | 1.69 | 2.79 | -12 |
| Spain | 154.250 | 158.619 | -0.245 | 2.83 | 1.65 | -20 |
| Portugal | 192.854 | 201.590 | -0.275 | 4.53 | 0.00 | -30 |
| **NON ERM MEMBERS** | | | | | | |
| Greece | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| UK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |

[illegible]

### D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

### SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## WORLD INTEREST RATES

### MONEY RATES

[illegible]

### EURO CURRENCY INTEREST RATES

[illegible]

### THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

### THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

### THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

### THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

### THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

### THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

### THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

### US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

### EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

### EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

## UK INTEREST RATES

### LONDON MONEY RATES

[illegible]

### THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

### SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

## BASE LENDING RATES

[illegible]

## MONEY MARKET FUNDS

### Money Market Trust Funds

[illegible]

### Money Market Bank Accounts

[illegible]

# WORLD STOCK MARKETS

## EUROPE

## PACIFIC

## NORTH AMERICA

## AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, June 13, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| M'bishi Hvy | 10.9m | 828 | +8 | Ishi Har Hvy Ind | 4.8m | 516 | +16 |
| Toshiba | 6.6m | 870 | +7 | Fuji Electric | 4.6m | 582 | +3 |
| Minebea | 6.3m | 900 | -24 | Fujitsu | 4.4m | 1170 | +10 |
| Iseki | 5.6m | 502 | +22 | Nippon Yusen | 4.3m | 661 | +2 |
| Kumagai Gumi | 5.5m | 538 | +26 | Kawasaki Hvy | 3.9m | 487 | +5 |

## INDICES

| | | Jun 13 | Jun 10 | Jun 9 | 1994 High | | 1994 Low | |
|---|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | | |
| General (29/12/77) | (c) | 20181.36 | 20385.25 | 25478.40 | 18/2 | | 17756.90 | 20/4 |
| **Australia** | | | | | | | | |
| All Ordinaries(1/1/80) | (c) | 2069.4 | 2076.7 | 2340.60 | 3/2 | | 1988.10 | 5/5 |
| All Mining(1/1/80) | (c) | 1051.1 | 1054.8 | 1136.10 | 3/2 | | 904.60 | 5/5 |
| **Austria** | | | | | | | | |
| Credit Aktien(30/12/84) | 424.96 | 422.36 | 417.22 | 460.66 | 2/2 | | 401.20 | 6/6 |
| Traded Index(2/1/91) | 1092.8 | 1084.52 | 1067.65 | 1222.25 | 1/2 | | 1011.38 | 6/6 |
| **Belgium** | | | | | | | | |
| BEL20 (1/1/91) | 1484.88 | 1468.88 | 1470.54 | 1542.65 | 9/2 | | 1456.46 | 7/6 |
| **Brazil** | | | | | | | | |
| Bovespa (29/12/83) | (u) | 30204.0 | 29324.0 | 30204.80 | 10/6 | | 3809.90 | 3/1 |
| **Canada** | | | | | | | | |
| Metals Mnls♦(1975) | (u) | 3770.71 | 3703.57 | 3879.58 | 18/3 | | 3288.08 | 20/4 |
| Composite♦ (1975) | (u) | 4210.50 | 4196.80 | 4609.90 | 23/3 | | 4105.98 | 20/4 |
| Portfolio§§ (4/1/83) | (u) | 1958.07 | 1949.83 | 2182.89 | 1/2 | | 1913.37 | 19/4 |
| **Chile** | | | | | | | | |
| IPGA Gen (31/12/80) | (u) | 4532.5 | 4536.1 | 4667.80 | 4/2 | | 3901.20 | 4/4 |
| **Denmark** | | | | | | | | |
| CopenhagenSE(3/1/83) | 372.16 | 370.74 | 369.38 | 415.79 | 2/2 | | 363.83 | 1/6 |
| **Finland** | | | | | | | | |
| HEX General(28/12/90) | 1691.3 | 1712.4 | 1734.3 | 1972.00 | 4/2 | | 1691.10 | 3/1 |
| **France** | | | | | | | | |
| SBF 250 (31/12/90) | 1332.60 | 1358.21 | 1361.98 | 1585.29 | 2/2 | | 1332.80 | 13/6 |
| CAC 40(31/12/87) | 1977.66 | 2020.72 | 2029.39 | 2355.93 | 2/2 | | 1977.66 | 13/6 |
| **Germany** | | | | | | | | |
| FAZ Aktien(31/12/58) | 804.40 | 810.73 | 811.66 | 858.27 | 18/5 | | 776.33 | 2/3 |
| Commerzbank(1/12/53) | 2280.0 | 2299.5 | 2302.7 | 2485.50 | 2/5 | | 2221.20 | 2/3 |
| DAX (30/12/87)‡ | 2105.78 | 2133.08 | 2129.32 | 2271.11 | 16/5 | | 2020.33 | 2/3 |
| **Greece** | | | | | | | | |
| Athens SE(31/12/80) | 825.37 | 833.60 | 840.08 | 1184.58 | 18/1 | | 806.67 | 25/5 |
| **Hong Kong** | | | | | | | | |
| Hang Seng(31/7/64) | (c) | 9111.16 | 9190.64 | 12201.09 | 4/1 | | 8569.44 | 4/5 |
| **India** | | | | | | | | |
| BSE Sens.(1979) | 4128.8 | 4145.1 | 4137.7 | 4287.90 | 28/2 | | 3454.08 | 5/1 |
| **Indonesia** | | | | | | | | |
| Jakarta Comp.(10/8/82) | 483.02 | 483.05 | 485.77 | 612.89 | 5/1 | | 454.32 | 28/4 |
| **Ireland** | | | | | | | | |
| ISEQ Overall(4/1/88) | 1802.51 | 1805.11 | 1802.31 | 2062.16 | 20/1 | | 1780.72 | 2/6 |
| **Italy** | | | | | | | | |
| Banca Comm Ital (1972) | 742.33 | 752.49 | 758.23 | 817.17 | 10/5 | | 598.85 | 10/1 |
| MIB General (4/1/94) | 1199.0 | 1215.0 | 1221.0 | 1318.60 | 10/5 | | 944.00 | 10/1 |
| **Japan** | | | | | | | | |
| Nikkei 225 (16/5/49) | 21552.81 | 21395.18 | 21402.78 | 21552.81 | 13/6 | | 17369.74 | 4/1 |
| Nikkei 300 (1/10/82) | 311.71 | 309.72 | 311.80 | 311.71 | 13/6 | | 288.22 | 4/1 |
| Topix (4/1/68) | 1712.73 | 1700.80 | 1709.16 | 1712.73 | 13/6 | | 1445.97 | 4/1 |
| 2nd Section (4/1/68) | 2422.03 | 2415.18 | 2405.44 | 2422.03 | 13/6 | | 1973.33 | 4/1 |
| **Malaysia** | | | | | | | | |
| KLSE Comp.(4/4/86) | 1017.93 | 1016.98 | 981.72 | 1314.46 | 5/1 | | 928.33 | 4/4 |
| **Mexico** | | | | | | | | |
| IPC (Nov 1978) | (u) | 2385.55 | 2413.36 | 2881.17 | 8/2 | | 1957.33 | 20/4 |
| **Netherland** | | | | | | | | |
| CBS TtlRtnGen(End 83) | 428.3 | 432.7 | 430.5 | 454.90 | 31/1 | | 417.40 | 5/4 |
| CBS All Shr (End 83) | 271.9 | 274.7 | 273.4 | 294.80 | 31/1 | | 268.00 | 31/3 |
| **New Zealand** | | | | | | | | |
| Cap. 40 (1/7/86) | 2104.02 | 2124.00 | 2125.87 | 2438.84 | 3/2 | | 2012.82 | 5/5 |
| **Norway** | | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1052.52 | 1050.32 | 1046.53 | 1211.10 | 28/2 | | 1046.53 | 9/6 |
| **Philippines** | | | | | | | | |
| Manila Comp (2/1/85) | 2986.19 | 2988.18 | 2980.85 | 3308.37 | 4/1 | | 2607.33 | 9/3 |
| **Portugal** | | | | | | | | |
| BTA (1977) | (c) | (c) | 2827.3 | 3226.80 | 18/2 | | 2619.80 | 3/1 |
| **Singapore** | | | | | | | | |
| SES All-S'pore(2/4/75) | 581.78 | 581.31 | 582.26 | 641.61 | 4/1 | | 523.29 | 4/4 |
| **South Africa** | | | | | | | | |
| JSE Gold (28/9/78) | 2065.0♥ | 2019.0 | 1996.0 | 2331.00 | 4/1 | | 1749.00 | 14/2 |
| JSE Indl. (28/9/78) | 6707.0♥ | 6645.0 | 6592.0 | 6710.00 | 13/5 | | 5446.00 | 19/1 |
| **South Korea** | | | | | | | | |
| KoreaCompEx(4/1/80)** | 923.24 | 928.94 | 933.75 | 974.26 | 2/2 | | 855.37 | 2/4 |
| **Spain** | | | | | | | | |
| Madrid SE (30/12/85) | 321.03 | 325.51 | 323.29 | 359.31 | 31/1 | | 308.73 | 20/4 |
| **Sweden** | | | | | | | | |
| AffarsvarldnGen (1/2/37) | 1438.60 | 1448.80 | 1452.6 | 1803.80 | 31/1 | | 1403.80 | 31/3 |
| **Switzerland** | | | | | | | | |
| Swiss Bk Ind (31/12/58) | 1299.99 | 1295.08 | 1298.65 | 1423.34 | 31/1 | | 1239.75 | 9/5 |
| SBC General (1/4/87) | 969.73 | 973.59 | 977.81 | 1093.29 | 31/1 | | 917.53 | 9/5 |
| **Taiwan** | | | | | | | | |
| WeightedPr.(30/6/66)** | (c) | 5894.66 | 5942.38 | 6464.52 | 8/1 | | 3194.63 | 19/3 |
| **Thailand** | | | | | | | | |
| Bangkok SET (30/4/75) | 1378.04 | 1383.41 | 1387.40 | 1753.73 | 4/1 | | 1198.89 | 4/4 |
| **Turkey** | | | | | | | | |
| Istanbul Cmp.(Jan 1986) | 17842.0 | 17369.9 | 17142.3 | 20893.80 | 19/1 | | 12980.79 | 24/3 |
| **WORLD** | | | | | | | | |
| MS Capital Int (1/1/70)§ | 622.2* | 621.1 | 620.6 | 641.00 | 1/2 | | 591.80 | 4/4 |
| **CROSS-BORDER** | | | | | | | | |
| Eurotrack 100(26/10/90) | 1388.52 | 1411.45 | 1408.97 | 1540.19 | 31/1 | | 1388.52 | 13/6 |
| Euro Top-100 (26/6/90) | 1207.55 | 1225.41 | 1222.87 | 1311.81 | 2/2 | | 1200.99 | 1/6 |
| JCapalDrgns (31/12/88) | (u) | 312.27 | 313.26 | 383.19 | 5/1 | | 280.28 | 21/3 |
| Barings Emerg.(7/1/92) | *158.19 | 158.46 | 157.84 | 182.72 | 14/2 | | 141.65 | 21/4 |

** Sat Jun 11 : Taiwan Weighted Price 6073.43; Korea Comp Ex 918.60. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 13 - 2084.42 -59.16

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett.Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | 1993.0 | 1962.0 | -51.0 | 1997.0 | 1969.0 | 28,287 | 50,147 |
| Jul | 1990.5 | 1958.5 | -51.0 | 1993.0 | 1959.0 | 1,767 | 3,972 |
| Sep | 2008.0 | 1975.5 | -51.5 | 2008.0 | 1975.0 | 1,472 | 15,718 |

Open interest figures for previous day.

## US INDICES

| Dow Jones | Jun 10 | Jun 9 | Jun 8 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3773.45 | 3753.14 | 3749.45 | 3978.36 (31/1) | 3593.35 (4/4) | 3978.36 (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 98.57 | 98.71 | 98.66 | 105.61 (21/1) | 96.43 (13/5) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1608.26 | 1605.17 | 1612.90 | 1862.29 (2/2) | 1549.02 (20/4) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 186.13 | 185.61 | 186.46 | 227.06 (3/1) | 177.76 (12/5) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3798.66 (3776.83 ) Low 3739.60 (3721.45 ) (Theoretical♦)
Day's high 3779.60 (3754.89 ) Low 3751.91 (3740.52 ) (Actual♦)

| Standard and Poors | Jun 10 | Jun 9 | Jun 8 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 458.67 | 457.86 | 457.06 | 482.00 (2/2) | 438.92 (4/4) | 482.00 (2/2/94) | 4.40 (1/6/32) |
| Industrials♥ | 531.98 | 531.48 | 530.40 | 560.59 (2/2) | 510.05 (21/4) | 560.59 (2/2/94) | 3.62 (21/6/82) |
| Financial | 46.85 | 46.54† | 46.42 | 48.86 (10/6) | 41.39 (4/4) | 48.48 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 253.59 | 253.09 | 253.08 | 267.71 (2/2) | 243.14 (4/4) | 267.71 (2/2/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 441.84 | 441.16 | 440.75 | 487.89 (2/2) | 427.80 (20/4) | 487.89 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Cmp | 734.25 | 728.88 | 729.79 | 803.93 (18/3) | 705.51 (20/4) | 803.93 (18/3/94) | 54.87 (31/10/72) |

■ RATIOS

| | Jun 10 | Jun 3 | May 27 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.68 | 2.68 | 2.69 | 2.93 |
| | Jun 8 | Jun 1 | May 25 | Year ago |
| S & P Ind. Div. yield | 2.44 | 2.47 | 2.46 | 2.51 |
| S & P Ind. P/E ratio | 23.31 | 23.41 | 23.41 | 25.42 |

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | - | 458.85 | +0.75 | - | - | 19,861 | 101,498 |
| Sep | 460.40 | 460.10 | - | 460.80 | 459.85 | 58,408 | 134,718 |
| Dec | - | - | - | - | - | 118 | 8,382 |

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Hanson | 20,768,300 | 18⅞ | — |
| Pepsico | 8,867,200 | 31¼ | -⅜ |
| EMC | 3,330,300 | 14⅞ | +⅛ |
| SCE | 3,322,100 | 13⅞ | ... |
| Compaq | 2,606,500 | 35¼ | +⅜ |
| Merck | 2,260,100 | 31¼ | -½ |
| Wal-Mart | 2,112,800 | 24⅝ | -⅜ |
| Beth Steel | 2,109,300 | 21⅜ | +1⅜ |
| Oryx Energy | 2,093,800 | 15⅝ | -⅜ |
| Gen Motors | 2,013,400 | 51⅝ | +⅝ |

■ TRADING ACTIVITY

● Volume (million)

| | Jun 10 | Jun 9 | Jun 8 |
|---|---|---|---|
| New York SE | 222.807 | 252.940 | 255.989 |
| Amex | 18.291 | 22.384 | 18.743 |
| NASDAQ | 254.314 | 283.078 | 326.075 |
| **NYSE** | | | |
| Issues Traded | 2,817 | 2,798 | 2,813 |
| Rises | 1,180 | 972 | 964 |
| Falls | 864 | 1,081 | 1,140 |
| Unchanged | 773 | 745 | 709 |
| New Highs | 32 | 28 | 36 |
| New Lows | 35 | 45 | 31 |

† Correction. * Calculated at 15.00 GMT. ♦ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

*4 pm close June 13*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1994 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng. Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| $17\frac{3}{8}$ | $14\frac{1}{8}$ | AAR | 0.48 | 3.3 | 491 | 42 | $14\frac{3}{4}$ | $14\frac{5}{8}$ | $14\frac{3}{4}$ | |
| $16\frac{7}{8}$ | $13\frac{1}{4}$ | A L Labs A | 0.18 | 1.3 | 32 | 169 | $14\frac{1}{4}$ | $13\frac{3}{4}$ | $13\frac{7}{8}$ | $-\frac{1}{4}$ |
| 66 | $57\frac{3}{8}$ | AMP | 1.68 | 2.6 | 22 | 619 | 64 | $63\frac{1}{8}$ | 64 | $+\frac{5}{8}$ |
| $72\frac{3}{4}$ | $52\frac{1}{4}$ | AMR | | | 30 | 3606 | $59\frac{1}{4}$ | $57\frac{3}{4}$ | $58\frac{7}{8}$ | $+1\frac{1}{8}$ |
| 5 | $3\frac{3}{8}$ | ARX | | | 15 | 118 | $4\frac{1}{2}$ | $4\frac{1}{4}$ | $4\frac{1}{2}$ | $+\frac{1}{4}$ |
| $56\frac{1}{8}$ | $38\frac{5}{8}$ | ASA | 2.00 | 4.6 | 26 | 681 | $43\frac{7}{8}$ | $42\frac{7}{8}$ | $43\frac{3}{8}$ | +1 |
| $31\frac{5}{8}$ | $25\frac{3}{4}$ | AbbotL | 0.76 | 2.5 | 18 | 9865 | $30\frac{5}{8}$ | $30\frac{1}{8}$ | $30\frac{5}{8}$ | $+\frac{3}{8}$ |
| $13\frac{3}{4}$ | $11\frac{3}{8}$ | AbitiBl Pr | 0.50 | 4.1 | 8 | 7 | $12\frac{3}{8}$ | $12\frac{1}{4}$ | $12\frac{1}{4}$ | $-\frac{1}{8}$ |
| $21\frac{7}{8}$ | $17\frac{3}{4}$ | ABM Ind | 0.52 | 2.4 | | 25 | $21\frac{1}{2}$ | $21\frac{1}{4}$ | $21\frac{1}{2}$ | |
| $13\frac{3}{4}$ | $11\frac{1}{8}$ | Acpincels | | | 23 | 15 | $12\frac{5}{8}$ | $12\frac{1}{2}$ | $12\frac{5}{8}$ | $+\frac{1}{4}$ |
| 31 | $24\frac{1}{2}$ | ACE Ltd | 0.44 | 1.7 | 4 | 1107 | $25\frac{5}{8}$ | $24\frac{7}{8}$ | $25\frac{1}{2}$ | $+\frac{1}{4}$ |
| $12\frac{1}{2}$ | $10\frac{1}{8}$ | ACM Gvt In x | 1.09 | 9.7 | | 169 | $11\frac{3}{8}$ | $11\frac{1}{4}$ | $11\frac{1}{4}$ | $-\frac{1}{8}$ |
| $10\frac{1}{8}$ | $7\frac{7}{8}$ | ACM GvOpp x | 0.80 | 9.4 | | 57 | $8\frac{3}{4}$ | $8\frac{1}{2}$ | $8\frac{1}{2}$ | $-\frac{1}{4}$ |
| $10\frac{5}{8}$ | $8\frac{3}{8}$ | ACM Gvt Sp x | 0.96 | 11.1 | | 122 | $8\frac{3}{4}$ | $8\frac{5}{8}$ | $8\frac{5}{8}$ | $-\frac{1}{8}$ |
| 12 | $9\frac{1}{8}$ | ACM Gvt Se x | 1.09 | 10.9 | | 252 | $10\frac{1}{4}$ | 10 | 10 | $-\frac{1}{8}$ |
| $11\frac{3}{4}$ | $8\frac{3}{4}$ | ACM Man x | 1.08 | 11.1 | | 84 | $9\frac{3}{4}$ | $9\frac{5}{8}$ | $9\frac{3}{4}$ | |
| $9\frac{3}{4}$ | 8 | ACM Managd x | 0.72 | 8.5 | | 62 | $8\frac{5}{8}$ | $8\frac{1}{2}$ | $8\frac{1}{2}$ | $-\frac{1}{8}$ |
| $15\frac{1}{2}$ | $8\frac{3}{4}$ | AcmeClv | 0.44 | 4.1 | 13 | 23 | 11 | $10\frac{5}{8}$ | $10\frac{3}{4}$ | $+\frac{1}{8}$ |
| $9\frac{1}{4}$ | $6\frac{5}{8}$ | Acme Elect | | | 5 | 11 | $7\frac{1}{2}$ | $7\frac{1}{2}$ | $7\frac{1}{2}$ | |
| $28\frac{3}{4}$ | 23 | Acordia x | 0.60 | 2.2 | 14 | 14 | $28\frac{1}{8}$ | $27\frac{7}{8}$ | $27\frac{7}{8}$ | $-\frac{1}{2}$ |
| $9\frac{1}{8}$ | $5\frac{3}{4}$ | Actava | 0.36 | 4.1 | 2 | 372 | $8\frac{7}{8}$ | $8\frac{1}{2}$ | $8\frac{3}{4}$ | $-\frac{1}{4}$ |
| $15\frac{5}{8}$ | $11\frac{1}{4}$ | Acuson | | | 112 | 282 | $14\frac{3}{4}$ | $14\frac{1}{4}$ | $14\frac{5}{8}$ | $+\frac{1}{4}$ |
| $18\frac{3}{8}$ | $16\frac{1}{2}$ | Adams Expr | 0.48 | 2.8 | 0 | 139 | $17\frac{1}{4}$ | $17\frac{1}{8}$ | $17\frac{1}{4}$ | $+\frac{1}{8}$ |
| 64 | $48\frac{1}{2}$ | Ad Micro | 3.00 | 5.4 | | 88 | $55\frac{5}{8}$ | $55\frac{1}{8}$ | $55\frac{1}{8}$ | $-\frac{1}{4}$ |
| $31\frac{3}{4}$ | $18\frac{3}{4}$ | AdvMic | 3.00 | 11.3 | 11 | 4974 | $27\frac{1}{4}$ | $26\frac{1}{2}$ | $26\frac{1}{2}$ | $-\frac{3}{8}$ |
| $6\frac{7}{8}$ | 5 | Advest Grp | 0.16 | 2.8 | 8 | 18 | $5\frac{5}{8}$ | $5\frac{5}{8}$ | $5\frac{5}{8}$ | |
| 20 | $16\frac{3}{8}$ | Advo Inc | 0.10 | 0.6 | 111 | 32 | 17 | $16\frac{3}{4}$ | $16\frac{3}{4}$ | $-\frac{1}{4}$ |
| $57\frac{1}{4}$ | $49\frac{3}{8}$ | Aegon ADR | 2.95 | 5.6 | 11 | 12 | 53 | $52\frac{1}{2}$ | $52\frac{3}{4}$ | $-\frac{1}{2}$ |
| $65\frac{3}{4}$ | $49\frac{3}{4}$ | AetnaL | 2.76 | 5.0 | 8 | 1621 | $56\frac{1}{8}$ | $55\frac{3}{8}$ | $55\frac{5}{8}$ | $-\frac{5}{8}$ |



Continued on next page

4 pm close June 13

# NYSE COMPOSITE PRICES

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- W -

- X - Y - Z -

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- U -

# NASDAQ NATIONAL MARKET

4 pm close June 13

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

# AMEX COMPOSITE PRICES

4 pm close June 13

FINANCIAL TIMES Tuesday June 14 1994

AMERICA

# Strength in cyclicals takes Dow higher

## Wall Street

US share prices stalled yesterday morning, but cyclical issues were strong enough to carry blue chips modestly higher, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 8.72 higher at 3,782.17, but the more broadly based Standard & Poor's 500 was only 0.29 better at 458.96. Volume remained light, with 117m shares traded by early afternoon. Declining issues led advances by 955 to 951.

A decisive trend also failed to develop on the secondary markets. The American SE composite edged 0.32 lower to 441.52, while the Nasdaq composite dipped 0.15 to 734.10.

It was yet another session in which many investors preferred to watch and wait for more clues about the economy. The release of May's consumer price index was generally viewed as unthreatening, but an unexpected jump in core prices, which exclude the volatile food and energy sectors, could trip up the market later.

Friday's producer price data had brought a mild surprise, so bond traders were taking no chances. Treasury prices were moderately down, restraining the mood among equity investors. However, economists were attaching more importance to tomorrow's report on industrial production, business inventories and capacity utilisation.

The data was expected to show the economy continuing to grow at a stable pace. Such news should have a favourable impact on stocks which are likely to benefit from healthy growth.

Cyclicals were showing signs of life for a second straight session after weeks of dormancy – Alcoa gained $1⅝ to $74⅝ and International Paper climbed $1¼ to $63⅞.

Offsetting those gains, Coca-Cola dropped $1 to $39⅛. PepsiCo, subject to a big sell-off last week, was unchanged at $31⅛.

In the automobile sector, Ford added $1 to $58⅛ in brisk activity, after the company unveiled three US-made car models to be marketed in Japan. Chrysler was $1 higher at $47⅞.

Cyprus Amax Minerals made a rare appearance on the NYSE's active list. The stock climbed $⅝ to $31¼ after the group filed with the SEC for a shelf offering of up to $500m in debt and equity.

UAL, parent of United Airlines, gained after the company called a July 12 shareholders' meeting to vote on a proposed employee buyout of the airline. The issue added $2⅜ to $119⅞.

## Canada

Toronto slipped at midday as thin trade took the TSE 300 index 11.27 lower to 4,199.24 in volume of 21.55m shares. Declines led advances by 299 to 206 with 259 unchanged.

Gains in the gold and metals sub-indices failed to offset losses in Toronto's 12 other sub-sectors. The big losers were real estate and transportation.

Active issues included Bramalea, down 3.5 cents to 24.5 cents in heavy volume after announcing plans to consolidate common shares on a one-for-20 basis.

Joutel Resources rose 3 cents to 60 cents in response to drilling results from its Cuban copper and gold properties.

## Brazil

A 1.6 per cent rise in share prices in São Paulo by midsession came in light volume as many investors remained absent due to the expiry of futures and options settlements over the next week.

The Bovespa index was up 492 at 30,696 by 1 pm in turnover of Cr210bn ($100m).

The futures index settlement is scheduled for tomorrow, while the options settlement takes place on June 20.

### MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1994 | Start of 1994 | Start of 1994 |
| Austria | +6.24 | +2.71 | +25.91 | -6.64 | -4.65 | -2.81 |
| Belgium | +0.74 | -4.49 | +17.96 | -3.15 | +0.06 | +2.02 |
| Denmark | +2.43 | -0.53 | +23.23 | -1.68 | +0.70 | +2.65 |
| Finland | -4.23 | -8.81 | +53.41 | +6.50 | +9.40 | +11.50 |
| France | -0.96 | -6.98 | +10.05 | -9.54 | -7.60 | -5.81 |
| Germany | -0.38 | -5.77 | +23.60 | -6.85 | -4.81 | -2.97 |
| Ireland | +2.65 | +0.08 | +14.94 | -3.97 | -1.80 | +0.09 |
| Italy | +3.33 | -6.60 | +40.35 | +22.26 | +27.62 | +30.08 |
| Netherlands | +0.82 | -1.94 | +20.74 | -3.76 | -1.88 | +0.01 |
| Norway | -3.02 | -7.58 | +26.89 | -2.01 | +0.08 | +2.01 |
| Spain | -0.14 | -1.38 | +21.75 | -1.41 | +1.37 | +3.32 |
| Sweden | -1.39 | -4.60 | +29.99 | +3.05 | +6.46 | +8.52 |
| Switzerland | +1.03 | +2.52 | +20.72 | -5.09 | -1.78 | +0.12 |
| UK | +1.84 | -2.35 | +7.35 | -9.90 | -9.90 | -8.16 |
| EUROPE | +0.86 | -3.38 | +15.76 | -5.87 | -4.32 | -2.47 |
| Australia | -0.30 | +0.02 | +19.99 | -3.86 | +2.09 | +4.06 |
| Hong Kong | -1.35 | -0.28 | +26.24 | -23.69 | -25.24 | -23.79 |
| Japan | +1.19 | +3.51 | +4.52 | +17.31 | +23.60 | +25.99 |
| Malaysia | +5.17 | -1.96 | +38.67 | -23.29 | -21.91 | -20.41 |
| New Zealand | -0.21 | +2.49 | +31.26 | -2.28 | +0.91 | +2.84 |
| Singapore | -0.05 | -1.10 | +25.29 | -11.53 | -8.95 | -7.19 |
| Canada | -1.41 | +1.42 | +8.91 | -1.19 | -6.54 | -4.74 |
| USA | -0.29 | +3.35 | +2.82 | -1.51 | -3.37 | -1.51 |
| Mexico | -1.02 | +8.83 | +51.45 | -6.61 | -15.14 | -13.50 |
| South Africa | +2.71 | +1.09 | +46.67 | +14.79 | +0.97 | +2.92 |
| WORLD INDEX | +0.49 | +1.41 | +7.99 | +1.44 | +2.44 | +4.42 |

† Based on June 10th 1994. 

**The implications of the European elections for equity markets will be felt this week. It was good news for Austria, which also voted at the weekend in favour of joining the European Union; the Vienna market was the best performer in local currency terms among the constituents of the FT-Actuaries World index. The Austrian decision could have a positive short-term effect for those Scandinavian markets which are due to vote on union this autumn, although Unibank Securities reports that the "no" vote campaign continues to lead polls in both Sweden and Norway.**

EUROPE

# Suez weak on CU deal as Paris hits 1994 low

Weak bonds, a weak dollar and the threat of excess liquidity due to corporate cash calls pushed most bourses lower, *writes Our Markets Staff.*

**PARIS** suffered a sharp correction after the CAC-40 index, failing to find fresh support after breaking through the 2,000 level, struck a session's low of 1,969 before ending the day at a new low for the year of 1,977.66, down 43.06.

The main cause of the setback was not the European election results in France, a disappointment for the ruling right-wing coaliton government, but continuing weakness in the bond and futures markets. Equity turnover stayed low at around FFr3.5bn.

Suez eased FFr9.50 to FFr293.50 as investors reacted to the news, announced after Friday's close, that it was to sell its Groupe Victoire subsidiary to Commercial Union, of the UK. The sale, believed to be for some FFr12.5bn, is perceived as disappointing for the French group. James Capel, which said it was not recommending the stock as a buy, made reference yesterday to the fact that, by its own calculations, the sale was worth some FFr12bn less than it was last summer – a difference equivalent to FFr80 per share.

**FRANKFURT** tried to move up after a satisfactory Euroelection performance from the CDU, but the attempt foundered under pressure from the pending Daimler rights issue, and other technical factors which went from bad to worse as the day wore on.

The Dax index finished the session down 27.30, or 1.3 per cent lower at 2,105.78. Selling ahead of Daimler's near-DM3bn rights issue brought the stock down DM28, or 3.6 per cent to DM747 and undermined other cyclical blue chips like BMW, Volkswagen, and BASF.

Turnover rose from DM5.3bn to DM5.8bn. After hours, the Ibis-indicated Dax fell through support at the 2,100 level, and kept falling until it closed the afternoon at 2,084.42, its lowest point of the day.

Mr Edgar Benischek, head of trading at Bank Julius Bär in Frankfurt, said that in addition to the weight of the Daimler issue, the market was conscious of Friday's upcoming closure of futures and options contracts – an event which can lead to strong pressure to bring prices up, or down.

The events of the day overshadowed allegations in Der Spiegel which left Mannesmann down DM2.50 to DM436.50 on the session, and a further DM2 lower at the end of the London afternoon.

**AMSTERDAM**'s only bright spot came with the first day of trading in KPN, the post and telecommunications group, which closed at Fl 50.20, a premium to the issue price of Fl 49.75. Volume was exceptionally heavy with an estimated 17m shares changing hands.

The flotation of 30 per cent of the KPN equity was the largest in the market's history, but even this was insufficient to motivate the broader market which was pressured by weak bonds. The AEX index finished off 5.02 or 1.2 per cent at 401.69; KPN not yet being included among AEX constituents.

Heineken dropped Fl 4.90 to Fl 218.70 in line with the trend and little affected by news that its Spanish subsidiary, El Aguila, planned a 3-for-10 rights issue.

KLM, off 10 cents at Fl 50.80, denied reports which had come from the Belgian communications ministry, that it had been holding talks with Sabena on closer co-operation.

**MILAN** was unexpectedly weak after the strong showing of Mr Silvio Berlusconi's Forza Italia party in the European elections. The Comit index fell 13.90 or 1.8 per cent to 742.33 amid profit-taking, particularly by foreign investors, after yesterday's options expiry and ahead of tomorrow's end of the monthly account.

Dealers noted that the market faced heavy calls on liquidity with the with the privatisation of Ina, the state insurer, and a number of rights issues during the July account. They added that a constitutional court ruling on pensions, which could cost the treasury up to L16,000bn, compounded the negative mood.

Among shares heavily traded by foreign investors, Fiat fell L268 to L6,633, Generali gave up L950 to L43,600 and Montedison lost L69 to L1,405 in volume of 27.7m shares.

**ZURICH** was pulled lower by the banking sector after the Swiss National Bank warned that it saw no room for easier monetary policy for the time being. The SMI index dropped 19.6 to 2,744.2 as UBS bearers lost SFr21 to SFr1,206 and SBC bearers SFr8 to SFr406.

Against the trend, Berner Holding, the insurer, picked up SFr50 to SFr1,280 after Germany's Allianz said it had bought a 30 per cent stake.

SMH, under pressure last week, rose SFr17 to SFr840. James Capel, which lowered its recommendation, commented that a relatively flat profit outlook for this year, combined with concerns about the durability of the Swatch brand, would make it difficult for the watchmaker to outperform in the short term.

**MADRID** was not inclined to celebrate the triumph of the opposition conservatives in the European parliamentary elections. Bonds weakened, equities followed and the general index fell 4.48 to 321.03.

**WARSAW** accelerated its recent slide, all Polish shares tumbling by the 10 per cent price limit. The Wig index fell 955.4, or 9.8 per cent, to a 1994 low of 8,757.3. Turnover shrank 63 per cent to 374bn zlotys.

Written and edited by William Cochrane, John Pitt and Michael Morgan

### FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

| Jun 13 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1405.40 | 1401.35 | 1399.57 | 1394.87 | 1393.33 | 1393.54 | 1390.15 | 1390.[illegible] |
| FT-SE Eurotrack 200 | 1427.34 | 1422.27 | 1420.90 | 1418.87 | 1416.98 | 1418.54 | 1412.41 | 1412.64 |

| | Jun 10 | Jun 9 | Jun 8 | Jun 7 | Jun 6 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1411.45 | 1408.97 | 1420.74 | 1409.65 | 1418.67 |
| FT-SE Eurotrack 200 | 1432.00 | 1430.94 | 1439.26 | 1426.30 | 1435.38 |

Base 1000 (26/10/90); High/day: 100 - 1405.40; 200 - 1427.34 Low/day: 100 - 1388.13; 200 - 1411.59

### FT-SE Eurotrack indices changes

**The FT-SE Eurotrack Indices Committee met on Thursday, June 9 and approved the following changes to the FT-SE Eurotrack Index, to be made on Monday, June 20, 1994:**

**For inclusion: Tele Danmark "B" (Denmark); Munich Re Reg (Germany); Montedison (Italy); *Svenska Handelsbanken* (Sweden); Fomento de Const (Spain).**

**For exclusion: Pharmacia "B" (Sweden); Skandia Free (Sweden); Commerzbank (Germany); SIP Risp (Italy); Volkswagen Reg (Germany).**

**Indicative reserve list: Philips Electronics (Netherlands); RAS (Italy); Volkswagen Reg (Germany); Michelin "B" (France); *Investor "A"* (Sweden); Swiss Re Reg (Switzerland).**

ASIA PACIFIC

# Nikkei average rallies to new two-year closing peak

## Tokyo

Buying by foreign investors and domestic institutions supported share prices, and a late afternoon rally sent the Nikkei 225 average to a new two-year high, *writes Emiko Terazono in Tokyo.*

The index finished 157.63 higher at 21,552.81, its best level since February 1992. It declined to a day's low of 21,271.55 at the beginning of the session on selling by dealers and profit-taking by institutional investors. Buying by overseas investors and domestic institutions pushed prices higher later, absorbing index-linked selling by investment trusts and profit-taking, and an intraday peak of 21,573.21 was registered just before the close.

While a further rise in the index would require the participation of domestic institutions, traders expected the downside to be limited. Although most institutions had not changed their view over the economy and were not convinced of an imminent recovery, many were nervous of being left behind in the current rally, said a UK based broker.

The Topix index of all first section stocks rose 11.93 to 1,712.73, while the Nikkei 300 added 1.99 at 311.71. Advances led falls by 730 to 286, with 174 issues unchanged.

A total of 162 stocks were at their highs for the year. Volume dropped to 400m shares, from 1.09bn on Friday. In London the ISE/Nikkei 50 index eased 0.29 to 1,411.77.

Mitsubishi Heavy Industries, the most active issue of the day, put on Y8 at Y828. It managed to shrug off earlier profit-taking by investors who regarded the stock as too expensive. Ishikawajima-Harima Heavy Industries moved ahead Y16 to Y516.

Minebea, the ball bearings manufacturer, fell Y24 to Y900. Speculators and dealers, who had bought the issue on prospects of higher profits due to increasing sales of the company's computer keyboards, rushed to take profits.

Construction companies, regarded as laggards, gained ground on buying by foreigners, domestic individuals and dealers. Kumagai Gumi rose Y26 to Y538 in heavy trading, while Haseko appreciated Y20 to Y726.

Profit-taking depressed Nippon Telegraph and Telephone, which declined Y2,000 to Y872,000, and East Japan Railway, which lost Y2,000 to Y513,000.

In Osaka, the OSE average advanced 99.95 to 23,747.18 in volume of 38.8m shares. The index climbed for the fifth consecutive day on rises in low-priced issues.

## Roundup

Singapore and Kuala Lumpur were subdued after Malaysian election prospects seemed to fade. Australia, Hong Kong and Taiwan were closed for public holidays.

**SINGAPORE** was volatile on a mixture of political news with selective Japanese buying, ending with the Straits Times Industrial index 11.79 higher at 2,295.92.

Equities fluctuated after Mr Mahathir Mohammed, the Malaysian prime minister, told state political leaders not to be disappointed if a general election was not held soon.

However, they were led higher by an 80-cent rise in Cycle & Carriage, the motor group, to S$11.60 on Japanese institutional demand.

**SEOUL** bought early on expectations that the government would soon increase the ceiling of foreign share ownership. But profit-taking set in after Finance Ministry officials said the government had no plans to revise its previously announced schedule.

This process wiped out most of the early gains, the composite index finishing a net 4.64 ahead at 923.24 after reaching a day's high of 931.67 during the first hour.

**KUALA LUMPUR** closed well off its highs on heavy afternoon profit-taking, after the prime minister said that the general election could be held at any time from now until December 1995.

The composite index ended just 0.95 firmer at 1,017.93 after a morning peak of 1,033.31.

There were reports that Nomura Securities had launched a new Malaysian fund, known as the Aurora Fund, which was aiming to raise up to Y300bn.

**BANGKOK** encountered profit-taking which left the SET index 4.37 lower at 1,379.04 in moderate turnover of Bt7.6bn.

Losses were pared by the firm performance of the property development sector, spurred by Krisda Mahanakorn, which jumped Bt7 to Bt79.50 in turnover of Bt603.7m.

The stock rallied after a case of alleged stock manipulation against its major shareholder Vichai Krisdathanonda was dropped last week.

Shares in Jalaprathan Cement gained Bt4 at Bt131 in turnover of Bt142.6m on a newspaper report of a planned capital increase.

**SHANGHAI**'s yuan-denominated "A" shares remained under pressure from a flood of new issues, a loss of confidence in company managements and robust sales of treasury bonds.

The index fell 23.42 to a two-year low of 497.79, compared with an historic peak of 1,640.71 in February 1993.

"B" shares, reserved for foreign investors, have put in a steadier performance, helped by locals who have enlisted the help of relatives and other foreigners to buy on their behalf. The "B" share index dipped 1.49 to 71.13.

**MANILA** edged lower as the market continued to consolidate, missing the stimulus of the Hong Kong market. The composite index dipped 1.99 to 2,986.19 in volume that fell to 826.2m shares from the previous session's 1.3bn.

**WELLINGTON** turned lower after a firm opening, the NZSE-40 Capital index losing 19.98 to 2,104.03 in subdued trading.

**JAKARTA** was weaker in lifeless trade, which left the Jardine index 0.15 lower at 101.51.

Ades, a water bottling firm which made its debut, finished at Rp3,650 for a 5.2 per cent decline from its offer price.

**COLOMBO** edged down, with limited foreign demand leaving the all-share index 7.77 off at 973.73. Turnover dropped to SLRs38.6m from Friday's SLRs120m.

# S Africa climbs 1.4 per cent

**Futures-related buying and improved foreign demand helped Johannesburg climb 1.4 per cent, although a volatile gold price and mild profit-taking blunted the advance.**

**The overall index added 77 at 5,721, industrials 64 at 6,709 and golds 46, or 2.3 per cent, at 2,065. De Beers rose R2.50 to a closing high of R117.50 and Anglos were R6 up at R245.**

**Argus Newspapers was untraded as it made its market debut: the gap between a bid price of R10 and sellers appearing at R15 was said to reflect uncertainty on future performance.**

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY JUNE 10 1994 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY JUNE 9 1994 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 173.65 | -0.2 | 170.71 | 114.06 | 150.51 | 157.20 | -0.3 | 3.51 | 174.08 | 171.17 | 114.60 | 151.32 | 157.75 | 189.15 | 130.19 | 133.28 |
| Austria (17) | 179.79 | 1.8 | 176.75 | 118.09 | 155.83 | 155.49 | 1.4 | 1.03 | 176.64 | 173.60 | 116.23 | 153.46 | 153.33 | 195.41 | 142.90 | 145.43 |
| Belgium (37) | 165.93 | 0.3 | 163.12 | 108.99 | 143.82 | 140.44 | 0.0 | 3.93 | 165.47 | 162.72 | 108.94 | 143.84 | 140.46 | 176.67 | 142.02 | 143.47 |
| Canada (106) | 129.36 | 0.5 | 127.17 | 84.97 | 112.12 | 128.64 | 0.5 | 2.63 | 128.69 | 126.56 | 84.73 | 111.67 | 128.05 | 145.31 | 121.46 | 127.43 |
| Denmark (33) | 253.74 | 1.0 | 249.45 | 166.67 | 219.93 | 224.63 | 0.8 | 1.31 | 251.25 | 247.08 | 165.42 | 218.41 | 222.95 | 275.79 | 207.56 | 214.62 |
| Finland (23) | 137.37 | -1.2 | 135.05 | 90.23 | 119.07 | 159.46 | -1.5 | 0.91 | 139.08 | 136.77 | 91.56 | 120.90 | 161.87 | 156.72 | 85.54 | 89.56 |
| France (97) | 165.73 | 0.0 | 162.93 | 108.86 | 143.65 | 147.43 | -0.4 | 3.05 | 165.66 | 162.93 | 109.08 | 144.03 | 148.00 | 185.37 | 149.60 | 156.41 |
| Germany (58) | 136.08 | 0.5 | 133.78 | 89.38 | 117.94 | 117.94 | 0.1 | 1.75 | 135.47 | 133.22 | 89.19 | 117.76 | 117.76 | 147.07 | 107.59 | 112.32 |
| *Hong Kong (56)* | *372.88* | *-1.0* | *366.58* | *244.93* | *323.20* | *370.43* | *-1.0* | *3.21* | *376.63* | *370.36* | *247.96* | *327.41* | *374.14* | 506.56 | 271.42 | 295.72 |
| Ireland (14) | 185.38 | 0.1 | 182.25 | 121.77 | 160.68 | 177.83 | 0.2 | 3.42 | 185.25 | 182.18 | 121.97 | 161.05 | 177.40 | 209.33 | 155.93 | 163.87 |
| Italy (60) | 89.22 | 1.1 | 87.71 | 58.60 | 77.33 | 107.21 | 0.5 | 1.49 | 88.24 | 86.78 | 58.10 | 76.71 | 106.65 | 97.78 | 57.88 | 68.64 |
| Japan (469) | 163.95 | -0.4 | 161.18 | 107.69 | 142.10 | 107.69 | -0.6 | 0.71 | 164.56 | 161.83 | 108.34 | 143.06 | 108.34 | 165.91 | 124.54 | 153.47 |
| Malaysia (98) | 470.82 | 4.2 | 462.87 | 309.27 | 408.10 | 470.82 | 4.3 | 1.71 | 451.67 | 444.18 | 297.37 | 392.65 | 451.59 | 621.63 | 312.51 | 344.73 |
| Mexico (18) | 2065.40 | 0.2 | 2030.49 | 1356.68 | 1790.19 | 7572.88 | 0.3 | 1.03 | 2060.36 | 2026.15 | 1356.49 | 1791.07 | 7547.65 | 2647.08 | 1438.19 | 1462.29 |
| Netherland (26) | 189.13 | 0.8 | 185.77 | 130.80 | 172.60 | 169.86 | 0.6 | 3.30 | 197.54 | 194.26 | 130.06 | 171.72 | 168.92 | 207.43 | 164.22 | 168.25 |
| New Zealand (14) | 69.84 | 0.1 | 68.67 | 45.88 | 60.54 | 62.99 | 0.1 | 3.79 | 69.76 | 68.60 | 45.93 | 60.64 | 62.94 | 77.59 | 48.67 | 48.57 |
| Norway (23) | 183.25 | 0.6 | 180.15 | 120.37 | 158.83 | 179.69 | 0.4 | 1.84 | 182.20 | 179.17 | 119.96 | 158.38 | 179.01 | 206.42 | 160.61 | 150.96 |
| Singapore (44) | 341.10 | -0.1 | 335.33 | 224.05 | 295.65 | 241.08 | -0.1 | 1.75 | 341.40 | 335.74 | 224.77 | 296.79 | 241.37 | 378.92 | 242.48 | 259.54 |
| South Africa (59) | 274.94 | 1.6 | 270.29 | 180.58 | 238.30 | 267.54 | 1.0 | 2.18 | 270.46 | 265.97 | 178.07 | 235.11 | 264.64 | 290.26 | 175.93 | 194.25 |
| Spain (42) | 143.98 | 1.0 | 141.55 | 94.57 | 124.79 | 148.75 | 0.8 | 3.88 | 142.55 | 140.18 | 93.85 | 123.92 | 147.57 | 155.79 | 116.33 | 128.61 |
| Sweden (36) | 213.10 | -0.1 | 209.50 | 139.98 | 184.71 | 249.69 | -0.2 | 1.60 | 213.21 | 209.68 | 140.38 | 185.35 | 250.29 | 231.35 | 163.85 | 178.30 |
| Switzerland (47) | 160.33 | 0.0 | 157.62 | 105.32 | 138.97 | 139.94 | -0.4 | 1.73 | 160.28 | 157.61 | 105.52 | 139.39 | 140.55 | 176.56 | 124.46 | 127.37 |
| United Kingdom (205) | 188.32 | 0.8 | 185.13 | 123.70 | 163.23 | 185.13 | 0.8 | 4.06 | 186.75 | 183.65 | 122.95 | 162.35 | 183.65 | 214.96 | 170.32 | 178.74 |
| *USA (519)* | *187.05* | *0.2* | *183.89* | *122.87* | *162.13* | *187.05* | *0.2* | *2.67* | *186.73* | *183.63* | *122.94* | *162.32* | *186.73* | 196.04 | 176.95 | 181.92 |
| EUROPE (718) | 165.39 | 0.6 | 162.59 | 108.63 | 143.35 | 155.37 | 0.3 | 3.00 | 164.46 | 161.72 | 108.27 | 142.96 | 154.65 | 178.58 | 141.58 | 145.48 |
| Nordic (115) | 202.94 | 0.1 | 199.51 | 133.31 | 175.90 | 206.15 | -0.1 | 1.45 | 202.79 | 199.42 | 133.51 | 176.29 | 206.43 | 220.60 | 155.82 | 165.10 |
| Pacific Basin (750) | 171.55 | -0.3 | 168.65 | 112.69 | 148.70 | 117.19 | -0.6 | 1.03 | 172.01 | 169.16 | 113.25 | 149.53 | 117.74 | 172.01 | 134.79 | 158.81 |
| Euro-Pacific (1468) | 168.82 | 0.1 | 165.97 | 110.89 | 146.33 | 132.66 | -0.1 | 1.84 | 168.70 | 165.90 | 111.07 | 146.65 | 132.84 | 170.78 | 141.96 | 152.05 |
| North America (625) | 183.47 | 0.2 | 180.37 | 120.52 | 159.03 | 183.04 | 0.2 | 2.66 | 183.13 | 180.09 | 120.57 | 159.19 | 182.70 | 192.73 | 175.67 | 178.54 |
| Europe Ex. UK (513) | 149.27 | 0.4 | 146.74 | 98.05 | 129.38 | 136.82 | 0.1 | 2.36 | 148.67 | 146.20 | 97.88 | 129.24 | 136.75 | 157.47 | 122.37 | 126.06 |
| Pacific Ex. Japan (281) | 247.57 | 0.4 | 243.38 | 162.62 | 214.58 | 222.47 | 0.3 | 2.87 | 246.69 | 242.59 | 162.41 | 214.45 | 221.75 | 298.21 | 182.36 | 190.02 |
| World Ex. US (1651) | 169.92 | 0.1 | 167.05 | 111.61 | 147.28 | 135.88 | -0.1 | 1.65 | 169.73 | 166.91 | 111.75 | 147.55 | 136.10 | 172.51 | 142.94 | 152.42 |
| World Ex. UK (1965) | 173.24 | 0.1 | 170.31 | 113.80 | 150.16 | 148.61 | -0.1 | 2.02 | 173.13 | 170.26 | 113.99 | 150.51 | 148.74 | 175.58 | 153.22 | 159.78 |
| World Ex. So. Af. (2111) | 173.96 | 0.1 | 171.04 | 114.28 | 150.80 | 150.99 | 0.0 | 2.21 | 173.78 | 170.89 | 114.41 | 151.07 | 161.01 | 178.56 | 155.00 | 161.18 |
| World Ex. Japan (1701) | 182.50 | 0.4 | 179.41 | 119.87 | 158.18 | 177.13 | 0.3 | 2.88 | 181.84 | 178.82 | 119.72 | 158.07 | 176.66 | 195.20 | 165.72 | 167.43 |
| The World Index (2170) | 174.59 | 0.1 | 171.64 | 114.68 | 151.33 | 162.01 | 0.0 | 2.21 | 174.36 | 171.46 | 114.79 | 151.57 | 162.01 | 178.97 | 155.17 | 161.29 |


Constituent change with effect 17/6/94: Addition: Valmet (Finland). Latest prices were unavailable for this edition.